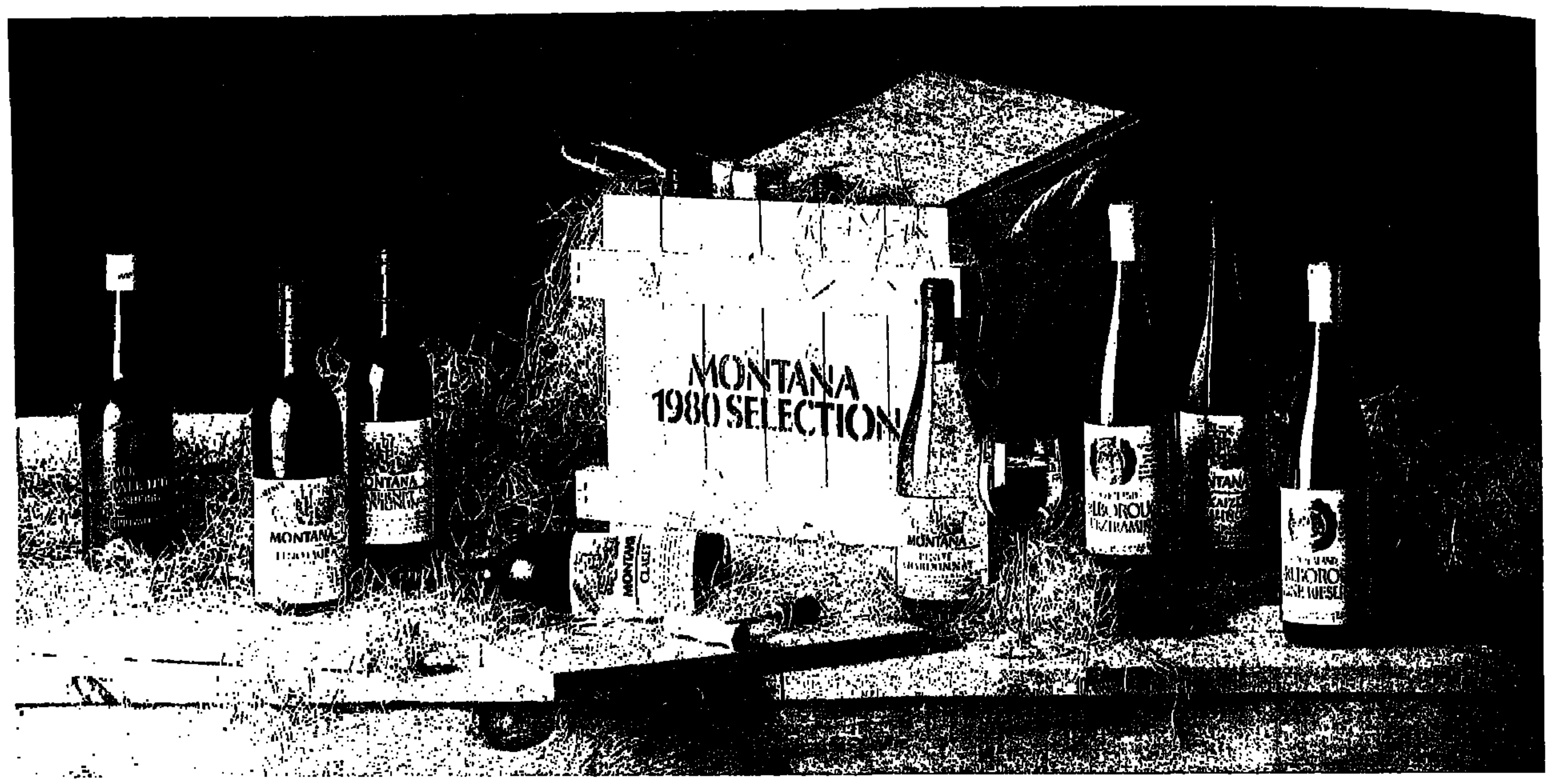

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Silver Medal. National Wine Competition 1978.
Silver Medal. National Wine Competition 1979.
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Montana Pinot Chardonnay 1977
Silver Medal. National Wine Competition 1978.
A classic dry Chardonnay style wine. Rated by some to be even better than the double gold winning 1978 vintage.
This wine is from grapes grown in the Gisborne region.

Montana Cabernet Sauvignon 1976
Gold Medal. 11th International Wine and Spirit Competition, London, 1980.
Silver Medal. 9th International Wine and Spirit Competition, London, 1978.
Silver Medal. 1977 National Wine Competition.
Silver Medal. 1978 National Wine Competition.
Silver Medal. 1979 National Wine Competition.

Marlborough Rhine Riesling 1979
Gold Medal. 11th International Wine and Spirit Competition, London, 1980.
Gold Medal. 1979 National Wine Competition.
The grape variety is relatively rare in New Zealand. The wine has a prominent fruit nose and unmistakable fragrant bouquet that is balanced by the crispness of finish. World wine authority Professor Becker (Geisenheim) considers Marlborough to be the best region for producing Rhine Riesling in the country.

Marlborough Gewurztraminer 1979
Gold Medal. 11th International Wine and Spirit Competition, London, 1980.
Gold Medal. National Wine Competition, Chateau, 1979.
This wine is noted for its very fruity and heavily spiced bouquet which comes from its reddish-brown grape. Gewurz in German means spicy and is a characteristic of this full flavoured, yet mellow wine.

Montana Private Bin Pale Dry Sherry
Gold Medal. THC Trophy Winner, National Wine Competition, 1976.
Silver Medal. National Wine Competition 1977
Gold Medal. National Wine Competition 1978 (THC Trophy)
Gold Medal. National Wine Competition 1979 (THC Trophy — Fortified)
Miquel Torres likened this Pale Dry to some of the great Sherries of Spain.

Montana P.B. Pinotage 1976
Silver Medal. National Wine Competition 1977.
Silver Medal. National Wine Competition 1978.
In the tradition of fine Pinotage wines it has a balanced flavour, showing good fruit and a warm tannin finish.

Montana Bernkaizler 1976
Silver Medal. National Wine Competition 1976.
Silver Medal. National Wine Competition 1977.
Silver Medal. National Wine Competition 1978.
Silver Medal. National Wine Competition 1979.
Montana rated this wine as probably the best white they had ever made when it was released. The medal fully confirmed it and Bernkaizler has continued to improve with age.

Montana Bernkaizler 1977
Gold Medal. 9th International Wine and Spirit Competition, London, 1978.
Silver Medal. National Wine Competition 1977.
Silver Medal. National Wine Competition 1978.
Silver Medal. National Wine Competition 1979.

Marlborough Riesling 1977
Gold Medal. 9th International Wine and Spirit Competition, London, 1978.
Silver Medal. National Wine Competition 1977.
Silver Medal. National Wine Competition 1978.
Silver Medal. National Wine Competition 1979.
A wine of clear, pale gold colour with a full fruity bouquet and a mild semi-dry finish.

Montana P.B. Sauterne 1979
Silver Medal. National Wine Competition 1979.
A luscious sweet white table wine made from Sauvignon Blanc and Riesling Sylvaner Grapes grown in Marlborough. Fermentation was halted at 10% alcohol to retain the natural sweetness characteristic of Sauternes.

Montana P.B. Claret 1976
Silver Medal. National Wine Competition 1977.
Silver Medal. National Wine Competition 1978.
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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

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Shea cut adrift as Govt names Julian to PFL board

THE Government-appointed member of the Pacific Forum Line board of directors, R P Shea, has had his latest two-year term cut short by 10 months. The Government has replaced him with Aucklander Harry Julian.

Shea, deputy manager of the Shipping Corporation, was a foundation director appointed when the Forum Line was established in 1977, and was recently elected acting chairman by fellow board members.

It was expected only a month ago that Shea would be confirmed as chairman of the line at the next board meeting in February.

The company is registered in Western Samoa but it is understood that the memorandum of understanding and the articles of association provide for two-year terms for directors. Accordingly, Shea was reappointed in September 1979.

But a fortnight ago, after only 14 months of his second term, Shea was advised by a member of the Prime Minister's Department after a Cabinet meeting that he was to be replaced by Julian. It is understood that no reason was given at the time.

Shea is now in London on Shipping Corporation business. He was unavailable for comment.

But the Government's choice of his replacement surprised observers close to the shipping industry and brought an effulgence of sympathy on Shea's behalf.

NBR has confirmed the Julian appointment from the Minister of Transport's office, although Transport Minister Colin McLachlan was in Australia.

But comment on why Shea's term had been cut short was unavailable from either the Minister's office or the Prime Minister's Department transport adviser, David Young.

Continued on Page 40

Marginal Lands Board: few principals left unscathed

by Jack Hodder

WE are satisfied that we have come as near to the truth of the matter as is possible in human affairs.

The "matter" in question was whether allegations of impropriety in respect of the Marginal Lands Board's approval of Jim and Audrey Fitzgerald's loan application were true.

The Commission of Inquiry's "clear and completely unanimous views on these allegations" were that they could not be upheld. But it was a close-run result and few of the principal players emerge unscathed.

The saga began early in 1979, when the Fitzgeralds bought "Long Gully", a bleak 2485-acre property located south-west of Wellington, at a mortgagee's sale.

In September 1979 they applied to the Marginal Lands Board, a then obscure quango, for a loan of nearly $100,000.

In June 1980 the board finally approved their revised application, one of its members, Roly White, promptly resigned and, in the words of the commission, "the fat was in the fire".

During the nine months of consideration of the application, the Fitzgeralds' "political connections" (she being the Minister of Agriculture's daughter and they being "friendly acquaintances" of the Minister of Lands) intruded into the saga on four occasions.

The first occasion was in September 1979. The commission found that the Fitzgeralds' application, as initially presented, was "plainly without any merit". Normally it would have been dismissed on the spot under delegated authority. The first two departmental officials to see the application so recommended.

But the then Commissioner of Crown Lands, conscious of the "ministerial connections" and desirous of avoiding any "ministerial comebacks", ordered a precautionary inspection and report from the district field officer and referral of the case to head office.

The second occasion involved Lands Minister Venn Young. In December 1979, a week after learning that their application had been rejected, the Fitzgeralds made an appointment and saw Young in his office to seek a review of their case.

Young undertook to have his private secretary, Bob Wynn, investigate further. Wynn drafted a letter, signed by Young on January 25, which requested the board to reconsider the decision to decline the application.

That letter was discussed by the board at its meeting on January 29. Young chaired the early part of the meeting and spoke to his letter. The board decided to appoint a subcommittee to inspect the property and meet the Fitzgeralds.

The third occasion involved Agriculture Minister Duncan MacIntyre.

On March 17 a Marginal Lands Committee inspected

Continued on Page 16

Manufacturers downgrade CER

by Allan Parker

SENIOR Government trade officials will meet their Australian counterparts in Canberra today for a further round of talks on a closer economic relationship between the two countries.

Among the subjects discussed during the two to three day meeting will be an assessment of the attitudes adopted by the respective industry groups, the New Zealand Manufacturers' Federation and the Confederation of Australian Industry.

The Australian industry response to the political proposals for CER — as outlined in a communique last March after trans-Tasman ministerial meetings — is not yet known. But the official New Zealand Manufacturers' Federation stance was revealed to ministers and senior departmental officials at a specially-arranged Cabinet Economic Committee meeting last week.

That stance represented what one source described as "a crystallisation" of federation policy at a council meeting the previous week.

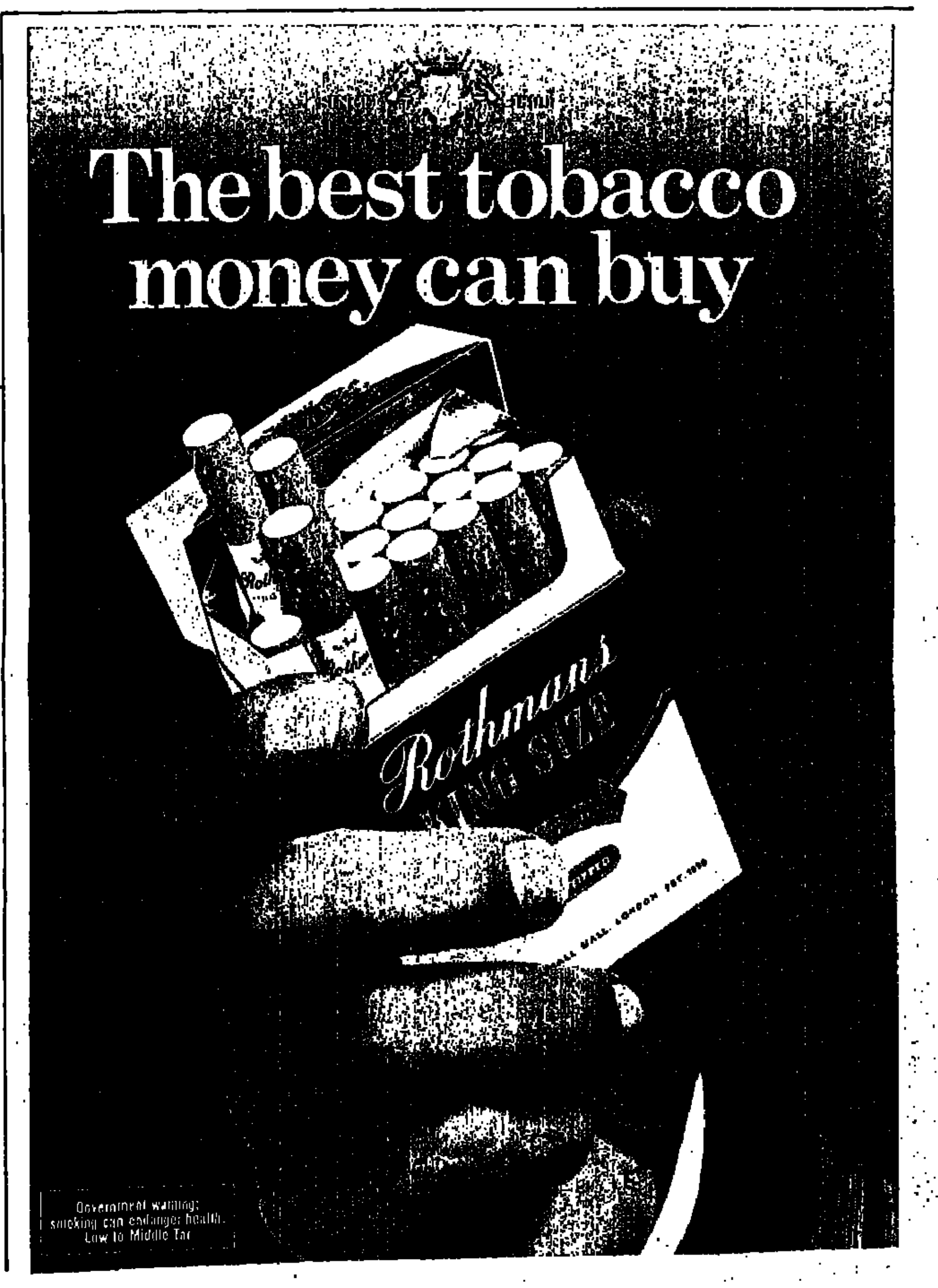
Pressure by industry trade groups before the council meeting and a number of resolutions from the federation's own district associations resulted in the formulation of a policy position that significantly downgrades the political wishes behind CER.

While the federation still supports a closer economic relationship with Australia, it told the Cabinet Economic Committee that it attaches more importance to internal economic restructuring as being developed by the current industries studies programme.

The industries studies programme, the federation says, is focusing quite enough attention on protection and changes proposed by the politicians are given cursory consideration. And restructuring plans arising from industry studies must take priority over any Australian link-up, according to the federation.

The cabinet meeting was told bluntly that manufacturers

Continued on Page 3.



12 SEP 1982

The business week

Auric Corporation Ltd will issue $1,624,727 secured debenture stock yielding 14.5-15 per cent.

Alex Harvey Industries Ltd: unaudited net profit for the six months ended September 30 was $6,571,000 (last year $7,549,000). An interim dividend of 8c will be paid on December 1.

Cory Wright & Salmon Ltd will issue 550,000 convertible dollar preference shares yielding 16.25 per cent.

Donaghys Industries Ltd: unaudited profit for the six months ended September 30 was $875,111 (last year $846,000).

Endeavour Services Corporation Ltd: unaudited net profit for the six months ended September 30 1980 was $1,350,000 (last year $1,056,000). An interim dividend of 5c a share will be paid on January 31.

Fisher & Paykel Industries Ltd: unaudited profit for the six months ended September 30 was $4,400,000 (last year $4,450,000).

Fletcher Holdings Ltd's $10 million debenture issue was oversubscribed.

Greggs Ltd: profit for the year ended August 31 $1,637,752, up 5.6 per cent on last year. A final dividend of 13c will be paid.

Lion Breweries Ltd: unaudited net profit for the six months ended September 30 was $16,024,000 (last year $4,464,000). An interim dividend of 4.25c will be paid on December 17.

Motor Holdings Ltd: unaudited profit for the six months ended September 30 was $2,292,000 (last year $1,000,480). An interim dividend of 6c will be paid on January 30.

Joseph Nathan and Co Ltd: net profit for the year ended August 31 was $139,685 (last year $101,697). A final dividend of 9c will be paid on December 12. **Tatra Industries Ltd** has increased its shareholding to 52.2 per cent.

Naylor Love Construction Ltd: unaudited profit for the six months ended September 30 was $47,670 (last year $84,066).

Nissan Datsun Holdings Ltd rejected **Motor Holdings Ltd's** offer for 50 per cent of the ordinary shares of $3.05.

Pavroc Holdings Ltd: unaudited profit for the year ended August 31 was $170,660 (last year $233,121).

Regina Confections Ltd: unaudited net profit for the six months ended September 30 was $44,938 (last year $31,178). An interim dividend of 6.5c will be paid on February 28.

Rex Consolidated Ltd: unaudited net profit for the six months to September 30 was $1,011,000, an increase of 69 per cent (last year $598,000). The result includes profits from **Simon Metal Products Ltd**, acquired in April. An interim dividend of 9c will be paid on November 28.

Manchester-based **George H Scholes Ltd** has bought a 40 per cent stake in **PDL (Asia) Sdn Bhd**, a subsidiary of **PDL Holdings Ltd**, for $476,000.

Salmond Industries Ltd: unaudited net profit for the six months ended September 30 1980 was $472,104 (last year $465,493). An interim dividend of 7c will be paid on February 2.

Smith-Biolab Ltd have bought **Selby-Wilton Scientific Ltd.**

Teltherm Industries Ltd: unaudited profit for the six months ended September 30 1980 fell 56 per cent to $104,545 (last year $236,597). An interim dividend of 6c will be paid on December 12.

Union Steam Ship Co of NZ Ltd will apply to the High Court to cancel preference shares at market value.

Yates Corporation Ltd: have acquired more than 50 per cent of **J E Watson & Co Ltd.** Offer closes today.

Reviewing shipping

GOVERNMENT will initiate a shipping policy review early next year, concentrating on arrangements between producer boards and the conference shipping lines.

THE trickle of Indo-Chinese refugees will slow to just 1000 by June 1982 because jobs and homes are hard to find.

TRIPARTITE wage talks appeared to make rapid progress in a 90-minute meeting in the Beehive. The FOL will take a cost-of-living wage order to the Arbitration Court next year, with employer support presumably after the Government has cut taxes in the mini-budget this week.

AN over-supply of domestic lamb on the British market is depressing prices and the Meat Board may compulsorily purchase new-season shipments.

AIR New Zealand will swing the redundancy axe to cut losses. Estimates range up to 900 staff, but Safe Air employees in Blenheim will not be among them. Cabinet ordered the Railways and the Post Office to use Safe's ageing Bristol Freighters for another three years.

SATURDAY trading made a cautious start as butchers' employees continued their strikes to win exemption from six-day trading.

LABOUR unveiled its regional development policy: 25 per cent power charge cuts for all South Islanders, a one-way iron bridge over the Cook Strait and other incentives for the "mainland" which will be declared a regional development area from Bluff to Farewell Spit.

THE Silver Star will run no more. Parliament was told that if it is converted to a mixed sleeper-seat configuration, as Railways intended a year or more ago, fares would have to be in excess of Air New Zealand's already exhorbitant Wellington-Auckland rates to make it pay.

GOODMANS Group and Wattie Industries cooked up a mutually acceptable dish without the Examiner of Commercial Practices getting a taste. Goodman's will keep it. 19.9 per cent of Watties, which will get 24.9 per cent of Goodman.

The week ahead

MONDAY:

DIC AGM, Dunedin.

Institute of Personnel Management three day training course begins. DFC Centre, Wellington.

Hydrological Society symposium, Palmerston North.

Geological Society's Christchurch conference, University of Canterbury.

TUESDAY:

Tourism design awards presentation. Beehive. Wellington.

THURSDAY:

J Rattray & Son AGM. Christchurch.

NZ Cement Holdings AGM, Christchurch.

FRIDAY:

Andas Group AGM, Wellington.

Clyde Group AGM, Lower Hutt.

Canterbury Farmers Co-op AGM, Timaru.

High-rise saga rolls on

by Gordon McLauchlan

THE Auckland high-rise hotel saga rolled on with several developments in the past week:

• The AMP Society has rejected all of the development plans for a number of major hotel chains (including Hilton) for the prime Great Northern site at the foot of Queen Street.

• Aorea Hotels Ltd has been given until next May to complete a detailed feasibility for a hotel on Mayoral Drive, near the city administration building. The company has the backing of an as-yet-unnamed international hotel chain.

• New Plymouth-based developer Rob Tennent is believed to have struck a bargain with the Development Finance Corporation to sell the site in Symond Street, near the city end of the Grafton Bridge — so the long-mooted Sheraton Hotel project could be under way soon after months of negotiations.

• A substantial amount of equity capital, representing about 80 per cent of the cost of a modern high-rise hotel, is available from the Development Bank of Singapore and other Singaporean sources (backed by a Mandarin Hotel management arrangement) if a suitable city site can be found. One known site is near the present Station Hotel.

The tourist industry will lament the loss of such a superb hotel site as that occupied now by the Great Northern.

It is regarded by many real estate and tourism observers as the best high-rise hotel site in New Zealand.

But it is understood that the AMP Society, which owns the land, is faced with the classic hotel-development problem of a slow return on capital for five years or so. The society is now looking at several shops-and-offices development plans and a decision on these will be announced in the new year.

The decision of the AMP not to go ahead on the Great Northern site will undoubtedly enhance the viability of other high-rise projects under consideration.

There is certainly room for another major hotel in Auckland city but whether two or three would be viable, coming into operation within a few months of each other is less certain.

Water rights granted after stream of setbacks

THE Australian industrial giant, CSR, and its New Zealand partner, H Baigent and Sons, have been granted a water right for their planned Nelson pulp mill. It comes at a time when rumours had started circulating in Nelson that CSR might consider abandoning the project if there were any more setbacks.

The Government has given strong indications that it supports the proposed 300-tonne-a-day thermo-mechanical pulp mill near Nelson, but the approval of water rights by the Nelson Catchment Board is the first local body approval the consortium has been able to obtain.

The CSR-Baigent pulp mill project was announced about 18 months ago at about the same time as the Government was preparing its fast-track legislation to smooth the planning process for heavy industry.

Partly as a public relations gesture, and partly because the legislation was still in the formative stage, CSR-Baigent elected to use existing planning procedures for the Nelson pulp mill project.

The first test of these procedures came late in September, when the consortium put its case to the Waimea County Council to have 230 hectares of rural land in Eve's Valley, 25 kilometres from Nelson, re-zoned as industrial for the pulp mill.

After seven days hearing evidence from CSR-Baigent witnesses and almost 100 objectors, the council decided to uphold objections to the scheme change. But by announcing that the objections would be upheld without actually withdrawing the district scheme change, the council left the way open to the consortium to lodge an appeal with the Planning Tribunal.

As expected, this has been done and a hearing is expected towards the end of January.

Much of the local opposition to the pulp mill proposal has arisen because CSR-Baigent's selected site in Eve's Valley is on potentially good horticultural land, something which is in great demand in Nelson's equable climate, and because it will mean the pulp mill's considerable water requirements must be met from the already over-taxed Wairoa River system.

For this reason the catchment board's approval of water rights for the mill represents a considerable advance for the consortium, which has indicated that the crunch decision on whether to go ahead with the $100 million scheme must be made early next year.

The catchment board, for its part, has tried to accommodate the critics of the pulp mill by imposing stringent restrictions on the taking of water during droughts.

The main water right allows the consortium to take the 6500 cubic metres of water a day needed for a 300-tonne-a-day TMP mill, and encourages CSR-Baigent to put in substantial water storage of its own. The draw-off can be doubled when the river is in flood for the purpose of replenishing storage dams or ponds.

But when the river is low the water right is accordingly reduced and cuts out altogether if the river falls below a certain level.

The cost of installing enough water storage to cover low flow periods will determine the acceptability of the water right approval to CSR-Baigent. An executive has confirmed they will be doing their sums between now and the closing date for appeals against the board's decision.

During the water right hearing, witnesses for the consortium indicated CSR-Baigent would be happy to install enough on-site storage for 16 days of operations without the need to draw off water from the river.

But catchment board statistics show the Wairoa River flow can be expected to drop below the water right cut off point for up to 25 days in a 10 year frequency drought, and in 1972 (classed as a 32-year drought) the river was actually below that level 55 days on end.

PACRA divided on the halving of research staff numbers

by Rae Mazengarb

SCIENTISTS and technicians within the Pottery and Ceramics Research Association (PACRA) which is funded by the Government and industry, are expected to learn early next month if they are to be made redundant.

"Things are still in limbo," PACRA council president Peter Mahon said last week.

Mahon, who is general manager of the Crown Lynn subsidiary Ceramic Pipes (Wellington) Ltd, said the council had met with Science Minister Bill Birch after some industry members had resolved to reduce the size of the organisation by half.

This would have meant reducing the staff's normal strength of 14 to about seven.

NBR understands the proposal, which was first broached about three months ago, sparked considerable reaction from PACRA and DSIR staff, and Birch, who requested that action be suspended in the meantime.

The pottery and ceramics industry has suffered severe cut-backs in the last few years, resulting from the general down-turn in the building industry, Mahon said.

PACRA members felt they had to look hard at what the industry could afford to spend long-term — given the limited resources available — on research and development.

In recent times individual companies have built up their own research and development functions to cater for their own needs.

The result has been a duplication of activities.

"Now people are becoming critical of what PACRA is doing," Mahon said.

A large proportion of PACRA's $270,000 budget goes in wages and salaries. It is funded 50 per cent by government and 50 per cent by industry members.

Companies pay a subscription according to what they can afford.

Three of the six member companies (since the Crown Lynn takeover of McSkimmings) contribute more than 90 per cent of the industry money.

Some industry sources say the large companies feel their contributions do not return commensurate benefits.

A further gripe is that non-contributing companies (PACRA is a voluntary organisation) reap the benefits when the research is published.

The uncertainty surrounding PACRA's future has affected staff morale, because it is almost certain staff numbers will be cut back.

While optimistic about the future, Mahon said: "If we find ourselves with more than we want long-term we will assist staff into other areas."

He pointed to vacancies in the DSIR and other research associations as potential areas of employment.

From Page 1.

would not support, endorse or accept any CER agreement that called for full free trade.

Other main points:

• There should be scope for industry-to-industry negotiations within any CER arrangement and any subsequent agreement should be accepted by the two governments.

• Tariff phase-down proposals for industries currently under study by officials or the Industries Development Commission should be deferred.

• A complete review of CER should be held within its first five years.

The policy adopted by the federation appears to be a victory for the individual industry trade groups and companies which have been vigorously voicing fears that the political proposals for CER would seriously threaten their livelihoods.

Their argument was basically that Australian manufacturers were being offered access to New Zealand markets without benefits in return.

One industry source commented: "The policy as it was presented to the Cabinet Economic Committee appears to be satisfactory to those industry groups that were concerned."

But just how satisfactory the policy will be to politicians and departmental officials involved in this week's negotiations is still uncertain.

Clearly, the downgrading in importance of CER by the federation will not impress the politicians. And, equally, the very lateness of the submission — only days before the officials meeting began — will not ease its passage into the New Zealand side of the officials' negotiating table.

The manufacturing sector does present the greatest difficulties in negotiating a final CER agreement and the views of its parent body must certainly be taken into account by the trade officials.

But there is a big difference between "taken into account" and "taken on board".

Probably the best local manufacturers can expect from this week's meeting is to stall officials' acceptance of the political concept until further research on the merits or dangers to individual industry groups and companies can be undertaken.

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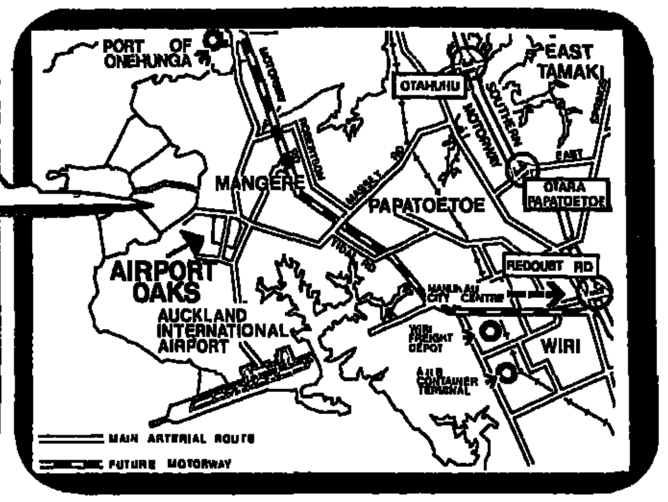

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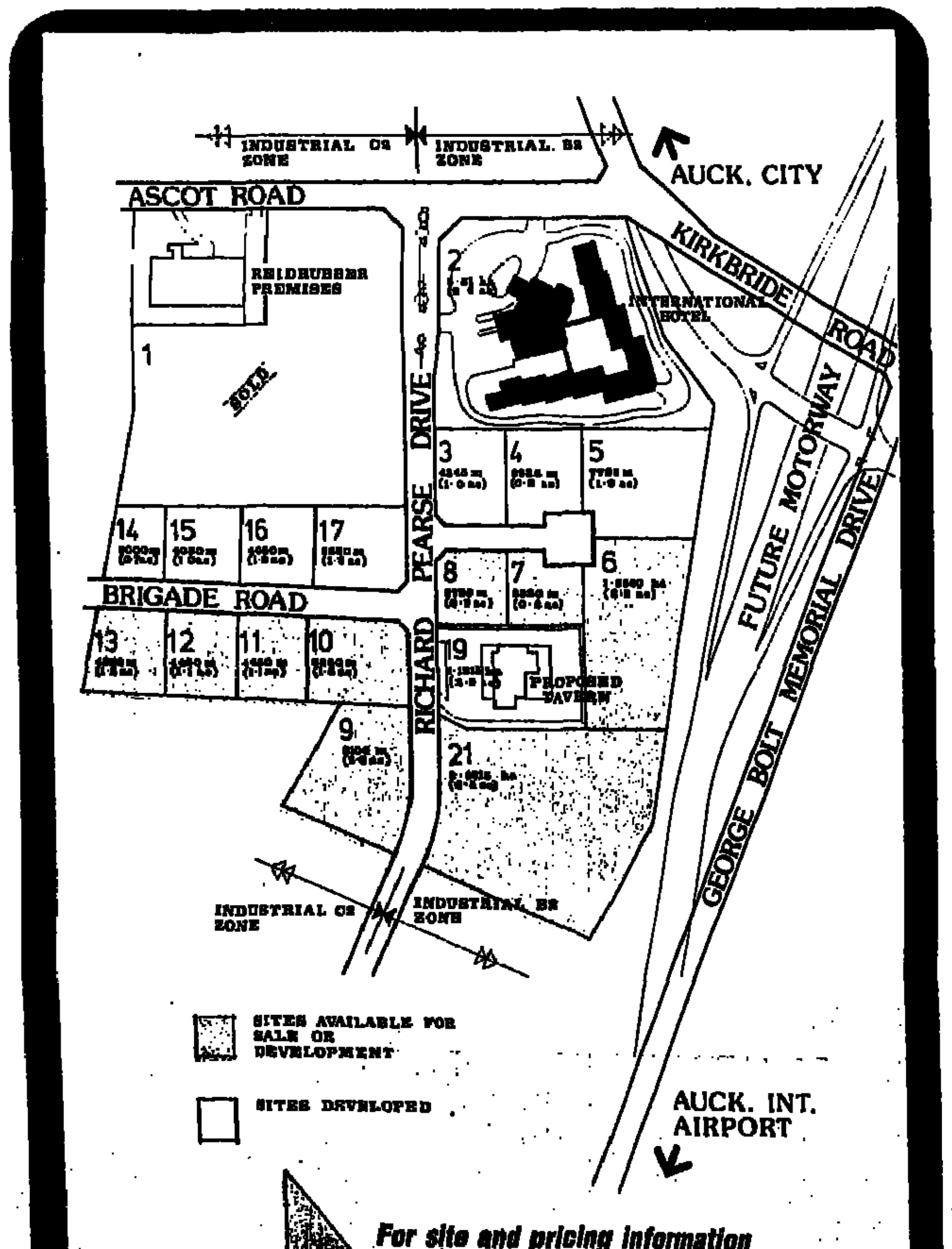

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The week

Suspensions set trends for employer solidarity

by Allan Parker

A SIGNIFICANT new chapter in the country's industrial relations casebook has been written by the motor vehicle assembly industry.

The decision of the major Wellington car assemblers – Ford, General Motors and Todd Motors – to issue all-encompassing worker suspension notices is regarded as a unique exercise in employer "solidarity" against perceived union intimidation.

The action and its outcome is being closely watched internationally.

But regardless of the final outcome, the move by employers is being seen as a trend-setting and rare display of the economic power of industry groups.

One employer representative commented: "It's the first sign that a lot of employers have simply had a gutsful of union harrassment."

While the move has clearly worried the trade union movement, Prime Minister Rob Muldoon and Labour Minister Jim Bolger are known to be quietly happy with the car companies' action. The companies have issued suspension notices to thousands of workers in their Hutt Valley and Porirua plants because of what one industry spokesman described as a "concerted trade union campaign" against the industry.

Muldoon and Bolger were told two weeks in advance that the suspension notices to workers were being considered – among other options – by the industry.

A source close to the decision-making told *NBR*: "They (the politicians) didn't exactly leap across the table and say we shouldn't do that.

"Their reaction has not been discouraging; some might say, in fact, that it has been the reverse."

Muldoon and Bolger did not have a say in the final decision but were informed an hour or so before the action was due to take effect.

Politically, Government leaders cannot be seen to be coming down strongly on one side or the other but the Government's silence is regarded as "loud" by some observers.

Such direct action by an industry group to support one of its members has taken the trade union movement by surprise. For perhaps the first time, the union movement has been forced on to the back foot.

One industry insider said: "It's ironic that our action has forced the trade unions to contemplate court action."

He said the decision followed "a lot of soul-searching" within the companies, which stand to lose a combined productive capacity of over 200 cars a day (worth some $200,000 a day at an average $10,000 a unit).

"But we have been criticised as employers, from the Prime Minister down, for not standing together. And now that the Government has removed the backdrop of the Remuneration Act it is all up to us. We have to stand up and be counted, to put our money where our mouths are."

The companies estimate the union claim would have cost them $6 million a year.

One source in car industry circles suggested that the companies were merely taking a leaf from the trade union book: "The unions have got a lot to teach us; we have got to get organised."

The "solidarity" shown by the companies surprised the unions and employers.

One employers' official said: "There's a greater sense of unity and strength than I've seen for some time. So often one company backs off at the eleventh hour and once that happens everyone gives in."

The official said he believed that debate over the action would continue for some time.

And, for the first time, the Employers' Federation will have a precedent it can use in future disputes.

The federation has promoted such a concept in the past. But as most industry groups have more members than the car industry and are more widely spread, suggestions along these lines have been unsuccessful.

If this first effort proves – as appears likely – to be successful, the federation hopes it will at least give other groups a pointer to the option.

The New Zealand action is also being closely watched internationally.

Traditionally, employer-union negotiations in the car industry abroad have centred around the "knock-one-off-then-the-others" principle, similar to the local situation. The action being taken here is thus being regarded almost as an international trend-setter.

The Ford and GM support for the local moves would not have been taken without approval from their respective American headquarters. The deliberate shut-down of a plant would require international board approval.

So the car companies' action can be viewed not only as a test case for New Zealand employers. The international implications are also considerable.

Unrepentant critic returns to fray

by Rae Mazengarb

UNREPENTANT aluminium smelter critic Professor Paul van Moeseke who this week will puolish his second critique of the Government-sponsored Fletcher-Alusuisse-CSR project for the South Island.

The internationally-respected Otago University Economics Department head fell silent after political attacks were levelled at his first published assessment of the plan. He had tried merely to put across for discussion basic economic theories, he said.

Instead he stirred up a heated political debate.

He referred specifically to the way his critics had done the "uprating of foreign exchange", and suggested the analyses had been based on "fundamental mistakes".

Secondly, "the basic rule of energy depletion" had not been applied, van Moeseke said.

"Hydro capacity is depletable," he said, since there was a limit to the number of dams which could be built on a river.

These were only some of the many basic economic theories which were "not understood, or simply overlooked", he said.

The paper will include van Moeseke's re-working of the basic analysis "using only their own data and price", he said.

Asked if he was "pressured" into withdrawing from the discussion, he said, "nobody told me in so many words".

Alluding to a more subtle pressure applied to academic scientists compared with the blatant silencing of some Government-employed scientists, he said "my case is not typical.

"It is well-known that I could get another chair in Australia . . ."

But he said he had felt pressure – directly from the public reaction to his paper, and indirectly through pressure on his university council.

No one had told him directly to shut up, but he felt "the message came loud and clear in the contrary political statements".

Van Moeseke said he lost interest, not in the project itself, but in the sense that he was not prepared to get involved in the politics.

Moreover, "I wouldn't have embarrassed the Government if I had known the decision had already been taken."

The object of the paper had been to evaluate the options honestly, he said. But Dunedin was the worst place to write from.

Van Moeseke and his paper came under attack despite the fact – as he maintained last week – "it is unusual for an academic paper to be attacked".

Not only did he withdraw from the debate because he felt the issue "made my position precarious", but he conceded that from a practical point of view his original paper was a mistake, because he found the Government decision on the smelter proposal had already been taken.

"An enormous amount of work was wasted on a foregone conclusion," he said.

While he did not intend to return to the debate, van Moeseke said he was committed to completing a second academic paper which would highlight some fundamental theoretical points overlooked by people at Trade and Industry and the Institute of Economic Research.

Silenced scientists seek end to secrecy — Page 30, 31

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THINK IT OVER.

TOYOTA

Comment

Editorial

PERSISTENT lobbying and unabashed exploitation of their family connections in Cabinet secured for Jim and Audrey Fitzgerald the Marginal Lands Board loan they were seeking to develop their farm just outside Wellington. Then the whistle was blown and the Fitzgeralds' family links with Agriculture Minister Duncan MacIntyre and friendship with Lands Minister Venn Young led to Opposition allegations of impropriety in the handling of the loan. Last week, the resultant commission of inquiry ruled that the Fitzgeralds gained no improper advantage.

Questioned later about the fate of the two Ministers involved, Prime Minister Rob Muldoon was adamant that "naturally" they would remain in his Cabinet. In his view, the affair had ended in a "whimper".

His defence of his colleagues was to be expected. And as S A de Smith argues in "Constitutional and Administrative Law", if a Prime Minister is willing to stand by a Minister under attack, the Minister can "brazen out appalling indiscretions, gross errors and omissions, plans gone awry and revelations of disastrous mismanagement within his department".

In the lands board affair, Muldoon is standing by one Minister found by the inquiry to have acted "unwisely" and another found to have been "extremely unwise to say the least". The latter Minister – ranked third in the Cabinet – was MacIntyre, whose conduct, the inquiry ruled, was saved from impropriety only by the fact that it could not in any event have resulted in the Fitzgeralds gaining any improper advantage in their loan application. The public is entitled to be disturbed at the standard of ministerial conduct deemed proper by such a ruling. Just as disturbing, it may assume that Muldoon condones the standard of performance by his Ministers that the report exposes as far from satisfactory.

But Muldoon went further. He regarded the inquiry's finding as so far removed from the "outrageous allegations that have been made by members of the Parliamentary Labour Party over several months as to call into question the Parliamentary system which permits such sustained and unwarranted attacks". Thus the Prime Minister challenged one of the fundamentals of our democratic system – the right of members of the Opposition to speak out and to question. He has shown a readiness to attack personalities: Colin Moyle, the SUP, Bill Sutch (when he is dead and cannot answer back). But he seems ominously inclined to deny the Opposition the opportunity to bring under scrutiny the much more important matter of how public money is spent and on whom, and infers that the Parliamentary system needs changing. He must now tell us how he would reform that system, and specify what measures he believes are necessary to further muzzle the Opposition watchdog (which too rarely bites effectively).

He obviously will not acknowledge that muzzling of any critic nurtures bad government and that the excessive secrecy which shrouds the administrative process in this country allows shoddy ministerial performance to go unchecked. The shoddy performance revealed in the Marginal Lands Board affair was made public only because one board member chose to resign and draw attention to how the Fitzgerald application was handled. That man was Roly White, whose actions were harshly judged by the inquiry to have been "irresponsible". But without White's courage (which the inquiry report at least did recognise), there would have been no inquiry and thus no recommendations for procedures to be tightened.

The performances of only two Cabinet Ministers in a comparatively minor matter have been subjected to close examination as a result of White's daring to show how public money may be used. But it is enough to raise questions about the judgement of other members of the Muldoon Cabinet and the quality of the Government's administration. Worse, it must tend to increase public cynicism that erodes the authority of government. If that cynicism is to be eradicated and public confidence in our system of government restored, then Ministers should be sacked when shown to have acted "unwisely" or "extremely unwisely" in circumstances such as those made perturbingly obvious by the Marginal Lands Board inquiry. Sacrificed, if you like, as a political gesture to discourage suspicions that even graver examples of Ministers helping families and friends with public money might be covertly condoned.

No matter what a Minister's personal accomplishments might be, he must cultivate a public reputation for competence, honesty and integrity. If he fails to earn such a reputation, he becomes a liability not only to his government and party, but also to the country.

– Bob Edlin

Without word of a lie

CSR deals are not all sweetness and sugar

ENTHUSIASTICALLY steamrolling towards the construction and operation of an aluminium smelter, Fletcher bosses delight in telling us that it's all being done in the best interests of the nation . . . a sort of Kiwi version of the idea that what's good for General Motors is good for America.

We can only be grateful, of course, that Hugh and his dad have our best interests at heart. But we're not so sure of his choice of partners in the venture (a reservation we would also bring to the attention of the Baigents in Nelson who presumably are similarly keen on furthering the best interests of Godzone while they contemplate the rewards to be extracted from forestry ventures.)

If history can teach us anything, consider this: When the plantation system in sugar production was ended in Fiji, the monopoly Colonial Sugar Refining Company of Sydney retained control of the milling, but contracted for almost all the cane supply with growers who were mostly tenants either on company land or on Fijian land.

In *Colonialism Development and Independence*, author H C Brookfield recalls: "Following the strike of growers in 1959, an inquiry led to new cane contracts in 1962 on terms which never satisfied the growers. These contracts terminated in 1970, and in 1969 a new inquiry was instituted.

"This time the growers were in a stronger position because of improved world prices under a new International Sugar Agreement, and because competition for their votes led both Government and Opposition parties to espouse their cause and present evidence in their favour.

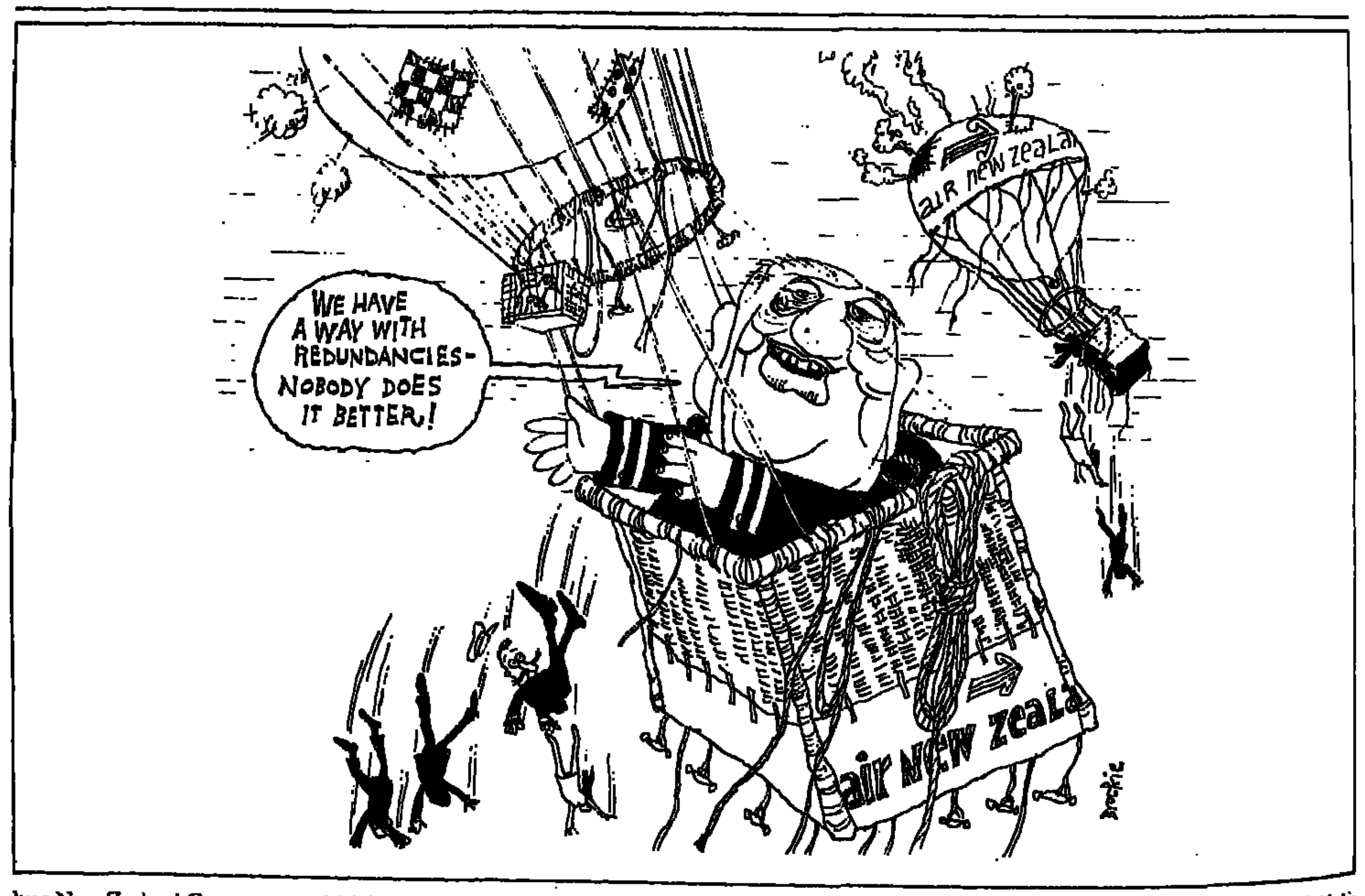
"The new award was much more favourable to the growers than the old, including provision for a minimum price and a more equitable share of profits from final sales.

"CSR, however, determined that they could not be sufficiently certain of making a profit under the new award, maintaining that the company would have lost money under it through the period of low prices between 1964 and 1969.

"After six weeks' ominous silence, CSR announced that they would crush the 1970, 1971 and 1972 crops, then withdraw entirely from Fiji, disposing of their properties and interests there. The company, industrially diversified and based mainly in Australia, could afford to do this without serious loss. The decision was final, made in no spirit of bargaining."

Obviously business is business – and at least when it comes to smelters, CSR recognises that the major input (power) is being offered cheaply by a New Zealand Government which isn't quite the same ogre as one which reacts to the electoral pressures of a few money-hungry voters!

Brockie's view



AHI losing that snow-white look

ORIGINALLY conceived as the St Morritz of the South Pacific, AHI's Turoa skifield is losing its lustre for some skiers.

Early in the ski season, AHI sold season passes for $175. These were to expire on October 31.

On October 27 AHI closed the skifield when skiable snow was available.

Four days' missed skiing doesn't seem like much. But they were the four days that keen ski-bums were looking forward to – days on the slopes uncluttered by learners and tourists.

Many ski-bums took jobs in nearby Ohakuni. Their terms of employment included a season pass and the promise of full days off to ski at season's end. According to this contingent, "we wuz robbed".

AHI still offers weekend skiing. Season-pass holders can get a $3 reduction on a $12 day pass. But this is not the same thing, they complain.

Hotel operators who support AHI's skifield have grouches too.

They claim they expected reduced rates from AHI to attract end-of-season custom. But all AHI did was drop the tariff on its 126 "cosy caravans" from $16 for two persons to $10 for as many people as one wished to fit into a caravan.

A fare go with the military

DEFENCE Department staff have been reminded that they and their dependents are entitled to a 50 per cent discount on standard economy fares for all international travel with Air New Zealand. The tickets give firm bookings.

Some travel agents in Auckland, naturally enough, are incensed that they will lose thousands of potential customers among the families of defence department staff.

But Defence Department travel officer, Captain Tom Parsons, tells us the blanket discount had been available since 1966 – and few people knew about it.

A new director of movements at Defence headquarters in Wellington had decided "to promulgate" the availability of the discounts, Captain Parsons said.

The special fare – "round half the economy fare" – was available because "the department is such a bulk user of travel on Air New Zealand".

He confirmed that the reduced fares are available not only to active service personnel but also to territorials and office staff.

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Comment

No consultation on training college changes

by Iona Holsted

"A PHASED reallocation of educational accommodation . . ." was how Education Minister Merv Wellington described his decision to stop training teachers at North Shore Teachers' College and convert it into a technical institute.

From 1982 nurses, physiotherapists and health technologists will be trained on the North Shore campus.

No new teacher trainees will enter the college from next year; instead they will attend Auckland Teachers' College at Epsom. Trainees presently at NSTC – or so the Minister says – will continue their training there.

Auckland Teachers' College will eventually cater for 1200 teacher trainees.

The basis for the Minister's decision was outlined in a press statement: "There is a national surplus of 2200 teachers' college spaces. At the same time several technical institutes have been cramped for space. This has been the case particularly at Auckland Technical Institute. This decision is based on the Government's determination to use the under-utilised teacher training facilities throughout the country and provide a firmer basis for technical institute development."

The Minister announced his decision to senior teachers' college administrative staff in September. Ironically, he called the North Shore administrators to the Epsom site to inform them.

The administrators were understandably shocked. They had not been consulted. Indeed, the Minister did not consult with any of the affected groups.

Later, he told Parliament that the decision regarding the future of the college was a governmental one, and there was a conflict of interest; he had to make the decision himself.

Wellington came to the office of Minister of Education a virtual unknown. He will leave being remembered at least for his propensity to make unilateral decisions.

The future of North Shore Teachers' College – along with Palmerston North and Dunedin Teachers' Colleges – had been informally debated for a number of years. In 1979, the general cuts to education expenditure, the realisation that the Minister did not view teacher training as a priority, and the Planning Council's recommendation that – because of the declining birth rate – fewer teachers should be trained heightened fears among education groups.

The Minister was questioned in an attempt to gauge his thinking on the matter. On May 25 1979, Labour MP Stan Rodger asked in Parliament: "What plans does he (the Minister of Education) have for the future of Palmerston North, North Shore and Dunedin Teachers' Colleges?"

Justice Minister Jim McLay responded on the Minister's behalf: "The Government is undertaking a detailed review of the future use of Dunedin and Palmerston North Teachers' Colleges. No such investigation is being undertaken in respect of North Shore."

Dunedin Teachers' College and Polytechnic began sharing the teachers' college campus in 1979 as a result of that review. Two days before the North Shore decision the Minister announced that the same arrangement would apply in Palmerston North.

These decisions on the use of teachers' colleges facilities need to be put in a political perspective.

Dunedin Teachers' College provides the impoverished Southland schools with much-needed teaching staff. The rising political awareness of the South Island in general and Dunedin in particular resulted in demands on Government to maintain and promote training, employment and incentives for people to remain in the South Island.

Simply, it would have been politically naive to close Dunedin Teachers' College.

Similarly, Palmerston North is a sensitive area. The Government holds most of the seats in the ward area served by Palmerston North Teachers' College, but several are held by slim majorities.

Both Dunedin and Palmerston North Teachers' Colleges have secondary teacher training outposts under their authority. It may well have been politically embarrassing for the Minister – who in the last two years has amended regulations to allow these colleges this authority – to then dispose of those very colleges.

Another major consideration in both cases is that there is no adjacent teachers' college. To be blunt, the farming communities around these colleges would not have approved of their sons and daughters travelling any further than was absolutely necessary for training.

North Shore, on the other hand (with the exception of East Coast Bays) sits in an extremely safe National area. It controls no outposts; there is no shortage of teachers in North Auckland; the shortage in Auckland could be coped with by increasing the numbers training at the Epsom site; the Minister of Health is an MP on the Shore and has been promising an increase in the number of technical college trained nurses for some time.

The possibility of strong Labour opposition to the phasing out of teacher training in Dunedin or Palmerston North was probably another consideration. If it was taken into consideration, the the Minister chose wisely. Social Credit MP for East Coast Bays Garry Knapp, has opposed the North Shore proposal. The Labour Party has been relatively quiet.

The Minister's decision may have been politically acceptable, but he has provided no evidence that it was based on educational grounds, or that he has convinced anybody that the decision was anything other than hurried.

In a letter of "explanation" to the Teacher Trainees' Association of New Zealand he stated: "You will have known of the review of teachers' colleges which has been under way over the past year or two at Government's direction . . ." Of course, the TTANZ was not aware of this review affecting North Shore. Nor were any other groups.

The Minister has proposed that his decision was based on the need for developing technical education. The reality is that he has done little for technical education, which remains the poor cousin of tertiary education, as people in the system can vouch.

The Minister further explained that there are 2200 "spare" places in teachers' colleges (but, we are not told how this figure was arrived at).

We are told that there is no alternative to the "phasing out decision", but we are not told what alternatives were considered or by whom.

We are told that all relevant factors have been taken into account and therefore teacher training will not suffer as a result, but we know that those people with the most intimate knowledge of the college were not consulted.

The Minister finally comes to the crunch. There will be large economic savings. This we cannot dispute. Teachers' colleges were closed during the 1930s depression for the same reason.

The decision to phase out teacher training at North Shore lays wide open the basis – officially unrevealed – on which Government decisions are being made. It is fair to say that decisions of this nature are increasingly prevalent in the education service, under Wellington's direction.

Another important aspect of the decision is the lack of forward, coherent planning in education.

There may be unused space in teachers' colleges, or space that could be used more productively, but if that is so the plans to expand the role of teachers' colleges into the sphere of continuing education for teachers should take priority.

The Minister was reminded that in-service training should be afforded priority on teachers' college campuses; his response was that it was no longer a priority area.

He was asked if he intended expanding the role of teachers' colleges. He answered no, and followed up that definitive reply with a statement about dealing with new ideas as they come to hand.

This is a devastating statement. We cannot afford not to have a comprehensive plan in education development. Hasty decisions are seldom the most economic or the most beneficial to all parties.

The Minister has no philosophy regarding the size of institutions; the range of courses that should be offered; the relationships between staff to trainees. That makes more important the need for him to actively seek the advice of those people directly involved in the decisions he is making, whether there is a conflict of interest or not.

The decision to phase out teacher training in North Shore should be held in abeyance, so that proper and thorough discussions can take place.

Iona Holsted is president of the Teacher Trainees' Association of New Zealand

United front for open government

by Brett Ambler

THE rift between the Government and public interest groups over the second aluminium smelter is widening into an assault on the fundamental question of rushing massive energy, financial and human resources into large projects at the expense of smaller alternatives.

Environmentalists are smarting at the unprecedented speed and secrecy which led to the signing of the heads of agreement for the second smelter, and the application of the National Development Act to other controversial projects.

A victory in stopping the plan to build thermal power stations in Auckland has withered into disintegration on most other energy fronts – even nuclear power is being privately discussed again as a mid-term option.

Why is the environmental movement apparently in tatters, and certainly ineffective in curbing Government initiatives?

The reasons lie simply with the speed and confidentiality of successive recent Government industry negotiations.

A tried and trusted old boy network, with departmental gags and witch-hunts, has effectively smothered organised opposition.

Not surprisingly the environmental chiefs have found themselves firefighting points of disagreement after deals have been struck.

The profile of the environmental movement seems to be a shadow of earlier times, when one way or another it had access to early information, then forced an effective debate.

But today, maverick Government staffers and other economic and science specialists are finding themselves out on a limb.

Otago University smelter critic Paul van Moeseke confided recently that he would not have attempted his controversial second smelter analysis if he had been aware of the pre-emptive Government decision to proceed.

Another to find himself playing chess in a rugby scrum has been Murray Ellis, an energy specialist for the Ministry of Works. Ellis today is prevented by his employer from attending any forum which addresses the smelter question.

Untiring crusader, Molly Melhuish, says environmental opposition to each of the smelter issues has been stymied by a slow official response, but she says the movement further faces all the trappings of a Government obsession with large energy projects, to the detriment of smaller and more attractive options.

Melhuish says her recent appointment to the Government's new Energy Advisory Committee (which was laced with a warning that she should not use the committee as a platform) will not silence her.

She is fearful the Government will put policy for the highly attractive M85 (85 per cent methanol – 15 per cent petrol blend) on to a backburner. She is also concerned that oil industry and coal interests will succeed in promoting liquid-fuels from coal ahead of biomass (fuels from crops), in the post-Maui era.

But the down-stream Maui developments are already providing the spur for an early and rigorous environmental opposition.

Early leaks of information on three separate plans for a Taranaki based gas-liquids plant point to the Government's interest in ethylene. A Petrocorp report now being completed, outlines the cost-benefit of a world-scale, combination export-ethylene facility and petrochemical industry.

Shell Internationale Petroleum Maatschappij B V is also completing a feasibility study into a multi-billion-dollar export ethylene facility as an integral part of a new gas-processing plant for the Maui partners (including Petrocorp's subsidiary Offshore Mining).

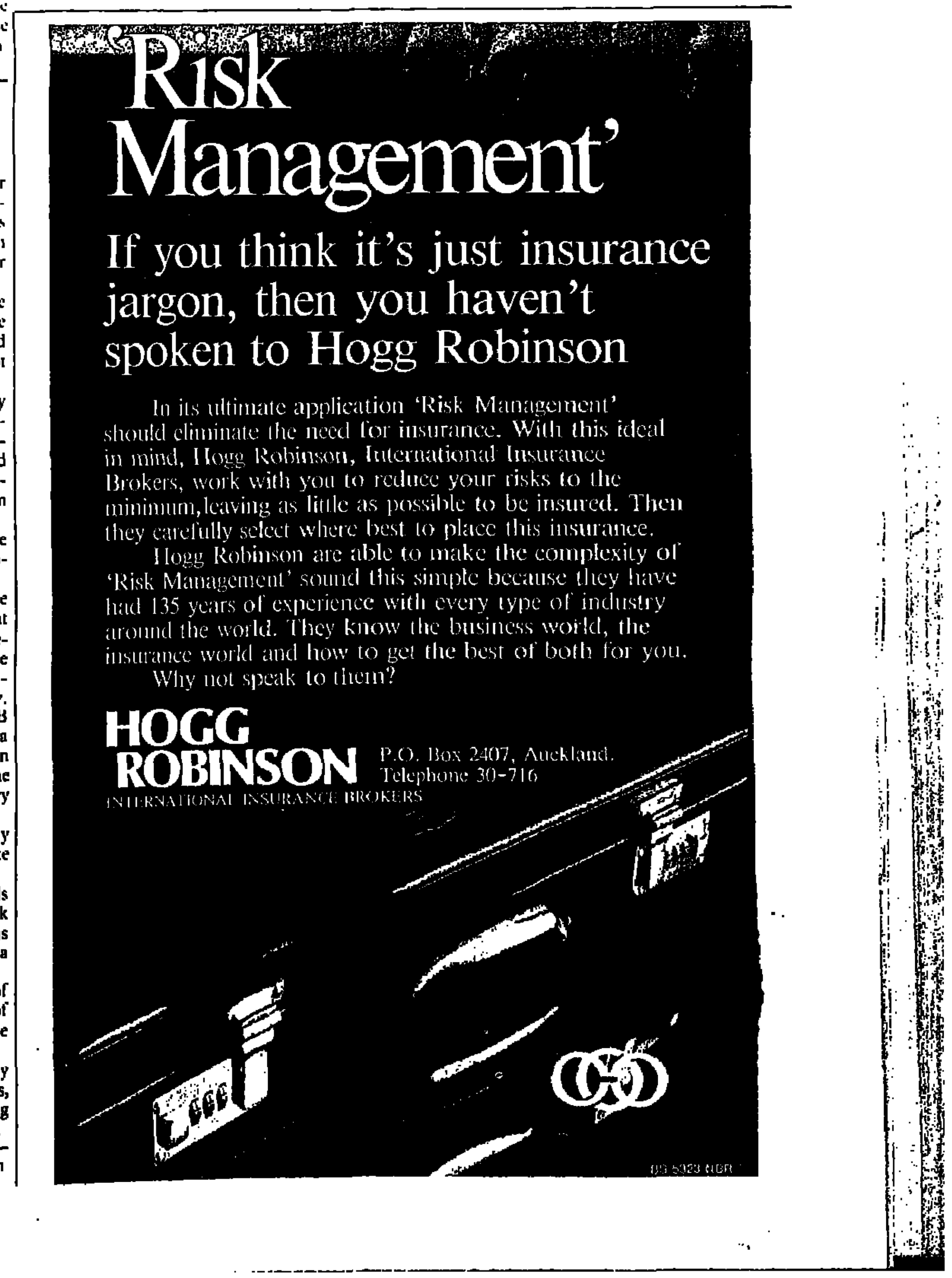
The Fletcher Challenge Group is apparently in the race as well, and preparations to promote each project have been under way for months.

Fresh from the smelter Melhuish and friends have little choice but to start all over and work much faster. Already they talk of the implications of an ethylene holocaust making a fire through a high-rise building look like a flickering candle.

Then there are the wider questions of ownership/cost-benefit, the continued export of finite resources, the possibility of mothballing the existing Kapuni treatment facility.

But most of all the environmentalists say they will use election year to promote the soft options, and make sure every potentially embarrassing detail of all their pet hates gets media attention.

Brett Ambler won the 1980 journalism award from the Association of New Zealand Scientists



Letters

Airline chief issues challenge

I WISH to break a minor rule of mine and respond to the personal criticism of me (*NBR* November 10). I believe it is usual for the media to publish a response even though it is rarely given comparable prominence to the lead article.

Accepting that impediment I nevertheless must say that you have certainly introduced a new twist into the bias factor when permitting a representative of Pan American Airways to embark upon a personal vilification of the chief executive of a competitor in what presumably was supposed to be an authoritative report on New Zealand tourism.

Be that as it may, however, you probably know that McLauchlan used to work for Air New Zealand and you should be informed that none of us here knew him as an acceptable judge of social skills. I personally have had little to do with McLauchlan for some years but I once had some little respect for him. Certainly more respect than was apparently due in light of the asinine and incorrect allegations he has made.

However, in response to the particular comment in respect to my obligations to the media I will issue him with a challenge. If McLauchlan can find a chief executive in New Zealand commerce who has been more freely available to the press including radio, television and the written media, or who has held as many press conferences or has established and has been freely cross-examined at more press forums than I have, then I will send him a bottle of his favourite tipple. If however, he is unable to do this, I would like him to admit it.

M R Davis
Air New Zealand

BECAUSE McLauchlan wanted to declare himself, he specially asked that we draw attention to his consultancy with Pan Am. I have no reason to doubt that he did not then approach his article with professional objectivity.

With regard to "personal villification", McLauchlan said in his article that "an almost political relationship" had developed between the airline and the National Government, and he gave some account of why he thought so. Readers would have accepted the case or rejected it. You do not appear to refute it.

His assessment of your personality and talents was not intended to indulge personal dislike with abuse; it was an assessment which McLauchlan wrote after discussing the matter with 20 or more people, most of them on Air New Zealand's staff, some of them very senior, and a number of them senior people in other sectors of the travel industry. The overwhelming majority agreed quickly and without malice with that assessment.

We accept that you are freely available to the media. But your handling of the media includes the occasion when you used a media forum to castigate publicly one of New Zealand's most respected travel writers. Your bluntness has never troubled us (indeed, we appreciate it), but it has offended other journalists. – Editor

Push premium quality image

A SPATE of articles recently on the local wine industry prompts me to write this plea to winemakers to get that chip off their shoulders.

As a small winemaker and member of the Wine and Food Society of Victoria, I feel I can comment with some objectivity on the potential for winemaking in New Zealand. I have travelled from Kaikohe down to Invercargill on business and I am staggered that viticulture is not a more significant sector in agriculture.

Frankly, I am hard pressed to suggest where you couldn't grow premium quality wine grape material. The Germans would give anything for your sunlight hours in quite cool regions.

This naturally leads me to ask why the industry persists with the Reisling/Sylvaner blends mentality or why it has ever felt the need to add water to its home grown produce.

You may appreciate 10 years from now the damage done to the wine industry by this volume sales mentality.

The sooner New Zealand recognises it is blessed in every way for "premium" wine production, the sooner the Bakano/Cresta Dores will disappear off every restaurant menu I have ever seen – and I challenge you to name one DB or THC hotel that hasn't got these and worse on the menu. I keep hearing the same old story as justification for this – the public isn't interested or doesn't know enough about wine. Is it any wonder?

Your Chardonnays, Muller Thurgau and Traminers are first class and in the main are off young vines. What will they be like in four or five years time? All I hear in New Zealand is how good Australian wines, in particular the reds, are.

Well, look at the sales statistics. Reds have declined dramatically in sales. People now recognise they lack freshness and crispness and that the better class wines are coming from cooler areas.

You can't get much more evenness in cool temperatures (and when needed) than you would find in New Zealand. So why not get up off your knees and recognise that you may well turn out to make the finest white wines in the Southern Hemisphere?

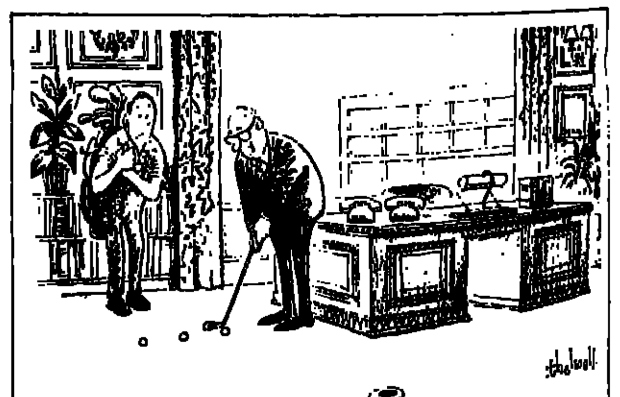
Hell, you're only beginning – you haven't even looked at Sauvignon Blanc, Chenin Blanc, Viognier, Gamay and Pinot Noir. If anyone still has any doubts, may I suggest they try any of the Matawhero (Gisborne) or Siefried (Nelson) white wines – they leave Australian Traminers and Chardonnays for dead. But don't look for them on restaurant wine lists – you won't find them.

If New Zealanders think that chip on the shoulder is a wine industry thing, might I suggest you look at your dairy products, your lamb and your beef? Each of these industries is crying out for the development of a premium quality image and a premium quality product range.

How long will it be before we see a first class New Zealand Camembert, Stilton or Blue Vein style? Surely Canterbury lamb can both match and surpass Normandy (France) lamb for quality.

Let's face it, it all comes back to the image you project if you have the products and the potential. And New Zealand certainly has!

Chris Robinson
Area Market Research Manager
Monsanto
Melbourne



"How do you like being on the board of directors, Wilkinson?"

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Politics

New lamps for old – we've heard it all before

by Colin James

IN 1968 there was much talk about the "new" Nixon. Journalists needed some way to explain the puzzling fact that the man who had been crushed in the 1962 California governorship race in 1968 could be a clear front-runner from the start for the presidential nomination.

Consider this quote from that great chronicler of the making of American presidents, Theodore White.

"The Nixon of 1969 was so different from the Nixon of 1960 that the whole personality required re-exploration. Something had transformed his thinking; it was important to try to read all over again the quality of his mind."

And again: ". . . this is indeed a different Nixon, carefree, jovial, circulating among the reporters, hoisting drinks with them, quite candid in his talk, a thought-provoking contrast with the tense, up-tight man so elusive and so hostile in 1960."

One man did not get sucked in by this talk of a new Nixon: Nixon himself told White there was no new Nixon; it was only that he had had time to read.

White and the other believers in reincarnation eventually came to understand that there was only an old Nixon. Inside the White House Nixon retreated into beleagured, vicious paranoia – character flaws that eventually undermined his presidency.

So it is interesting to observe a shiny-faced belief among some National MPs that there is a new Muldoon.

I have been told of social perambulations by the Prime Minister through 159 block in Parliament Buildings where the "class of '78" while away their evenings with talk of free markets and deregulation.

Once the Prime Minister would be always dropping in on his backbenchers for a chat. It was an ingredient in his rise in 1974. But, it seems, since 1978 he has not been seen in 159 block.

I have been told, too, of a new solicitousness as to the views of his backbenchers: even inviting them to comment on aspects of economic or fiscal policy – and listening.

I have been told that he is now receptive, where before he was not, to criticisms in MP's caucus meetings.

Two principal reasons are advanced to me for this state of affairs:

- That, however much bravado he tossed around as he swept aside the leadership challenge, the open disloyalty of so many of his MPs and ministers had a profoundly sobering effect on him;
- That, on the other side of the coin, the challenge pricked the bubble of fear that has surrounded him, so that MPs are no longer afraid to speak their mind.

This second factor is coupled with a determination among some backbenchers to monitor closely his decisions and public comments and to remind him when he is getting off the rails.

Previous protestations of such a determination have been made hollow by subsequent events, but MPs insist this time things really are different; that the Prime Minister has never been made to look in the mirror before, so the present situation is unprecedented; and that MPs now have their eyes open and are a bit drier behind the political ears.

Well, I got a sighting of this "different" Muldoon recently.

For all his public pugnacity, the real Muldoon is actually shy, a trait which often causes him to appear surly or aloof, to the offence of the faithful at party gatherings.

But the other night at a party dinner in the Hutt Valley, he was expansive, gregarious and smiling.

And when he spoke, he was low-key, thoughtful, constructive and on-line with party thinking. It was the best I have heard him give in a long time.

For a start, he took Social Credit seriously, something party managers have been trying unsuccessfully to get him to do for months.

With, of course, a dig at the news media: "Journalistic integrity demands that, at this point, with the polls showing 30 per cent support for Social Credit, equal with Labour, the news media should give some time to an examination of Social Credit theories and policies."

He offered a reason for this voter fascination with Social Credit: voters saw Labour lacking and failed to understand how wonderful the Government's economic management and forward strategy were.

Then, uncharacteristic humility: "The fault lies partly with the Government in failing to explain to the people just what it is doing." Another remarkable dofting of the cap to party sentiment.

Of course, the rest of the fault lies with the news media.

Why? "Because time and time again the other ministers and I have explained both our proposals and our achievements only to find them virtually ignored by the media in favour of some sensational of little or no long-term importance."

Well, by contrast with many past performances, this speech had no such "sensational aspect" for the press to pursue. Written himself, with an ear painstakingly cocked to party murmurings, I am told, the speech was restrained and forward-looking.

Note, for instance, that word "long-term". An interesting innovation.

The theme is becoming familiar in recent weeks: using our energy and natural resources to fuel big metals plants (which produce overseas funds but few jobs) will spawn or expand opportunities to small industries (which provide jobs).

He managed to cover a range of points sensitive to the party: the importance of small business; the expansion of agriculture; the depressed state of the economy; taxes ("high"); the need for wage agreement with the Federation of Labour.

He even managed to get in that touchstone of National philosophy – individual ownership – through a bit of jingoism about another sensitive point: big business.

Watties could not be a monopoly, he said, because it was "owned" by "thousands of individual New Zealand shareholders plus thousands more whose life insurance premiums are invested in Watties". Such "ownership" is about as real as a taxpayers' ownership of the Railways or Air New Zealand.

One important element of influential party thinking was missing: the need for small and medium-size industries to be more competitive, to complement efficiently the large-scale industries.

But as far as it went the speech was onside with the party. Nor was it a flash-in-the-pan. Four days later came the most restrained, unabusive, constructive column in *Truth* that I, for one, have seen.

He does seem to be trying to do what the party wants. And for his pains, the below-strength Hutt dinner audience treated him to polite applause (a standing ovation was cajoled out of them, but later). I thought they could at least have given him good marks for a good effort.

It seemed, from what people said to me, that he did not get the rapturous applause for two contradictory reasons: one that he was dull (where was the showman of 1975?); and the other founded on suspicion that he really means it.

For the Prime Minister, it was a no-win stackup. Perhaps he appreciated it: his mild manner suggested he was not sure what his reception would be.

Not only has there been a change of mood in the parliamentary party. The bubble seems to have burst in partyland outside the hallowed walls. Experienced hands tell me that since the welling-up of anti-dumping sentiment at the time of the challenge there had been a relapse into suspicion.

There is now also a substantial chunk of the party, reaching right up to the dominion council and executive, which is implacably opposed to him being leader.

These are the people who – though they might not put it in such terms – do not believe there can be a new Muldoon. The Prime Minister himself has said there will not be and there seems no compelling reason to disbelieve him.

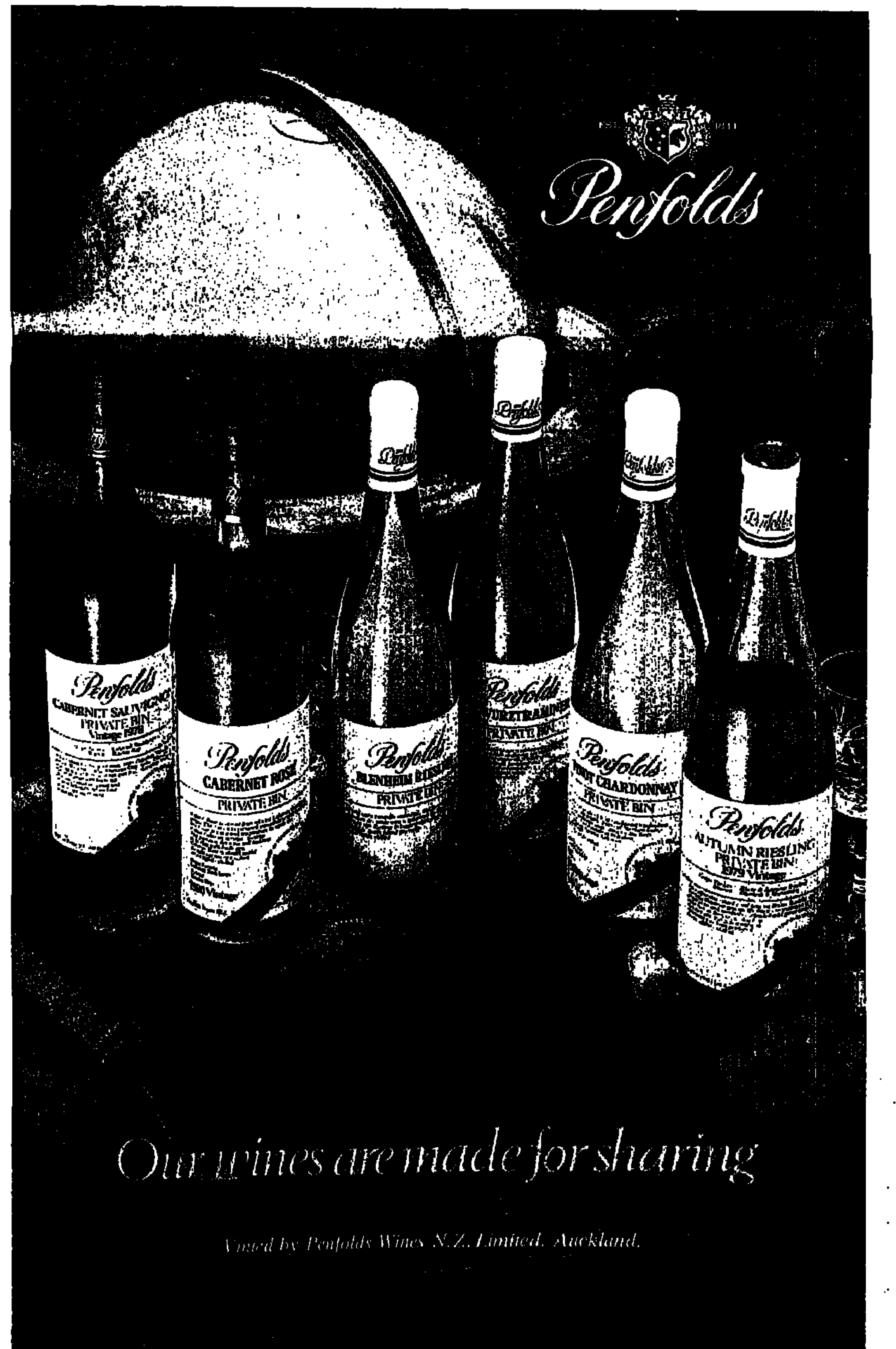
Indeed, there was a spark of the old Muldoon in his combative statement on the Marginal Lands Board affair claiming his ministers were completely cleared.

They were not. Both were criticised for their conduct, Duncan MacIntyre particularly harshly. It can be no comfort to a man of ramrod honour to be told he was "cautious, defensive and even unhelpful" as a witness, nor to a minister of long standing to be told his actions "were the consequence of an inadequate and faulty judgment of the responsibilities of, and the public image essential in, a ministerial appointment".

The marginal lands affair is dealt with elsewhere by Jack Hodder. The relevance of the matter here is as an indication of the old Muldoon's over-eager loyalty to old friends.

A new Muldoon might have felt it more statesmanlike to let MacIntyre honourably retire (as friends say he has wanted to do) rather than promote him as a potential deputy leader.

There is no new Muldoon, for all his new mateyness, solicitousness and positive speechifying. At best the MPs might have a leg-roped old Muldoon. And the first test of how secure that leg-rope is will be in how far he goes in the mini-budget – and the Cabinet reshuffle, *if* there is one.



Economics

Resources and jobs aren't expendables for growth

Economics Correspondent

NEW Zealanders are aware of the high economic living standards that might result from fast track development. But, they show a strong preference for a development plan which takes heed of the need for growth in economic and social-environmental living standards. They want to preserve our natural resources, to put the unemployed to work and to support a mixture of large, medium and small scale industry. And they want more emphasis on the development of import substitution and less on an export based, economic development plan.

That is the conclusion of *A Survey of New Zealand Living Standard Attitudes* conducted for the Commission for the Future by Brian Murphy of Auckland University's Applied Research Office.

Murphy concludes that: "The picture now emerges of public preference for a future New Zealand society which is not a stereotype of other industrialised nations but which has developed its own unique brand of South Pacific life style; where economic and social-environmental values have equal importance, so that growth in our total standard of living is based on equal emphasis on growth in both economic and social-environmental living standards; where we have become self-reliant through ingenious stewardship of our natural resources, using the best of sophisticated and simple technology, within the structure of an open, relaxed, caring, sharing, creatively varied society."

Since the public clearly understands the trade-offs of alternative development strategies, Murphy recommends that communication should be improved between the public and development planners.

It is up to the planners to clearly spell out all the economic and social-environmental benefits and costs of alternative development strategies. The public must become fully involved in the evaluation of alternatives through regular attitudinal surveys.

Public attitudes to living standards were measured by evaluating four possible scenarios of the future in terms of their impact on personal well-being. The scenarios show total living standards, made up of different combinations of economic living standards, and social-environmental living standards, a measure of the quality of life.

The four scenarios are distinctive, hypothetical views designed to focus on the extreme aspects of dev lopment plans in terms c. the unavoidable trade-offs between economic and social-environmental living standards that occur under the reality of limited resources (see box).

A questionnaire, to measure public preferences, was administered to a national, randomly selected sample of 1000 men and 1000 women over 15 years of age. The sample was geographically stratified by population distribution into the main urban centres and surrounding rural areas. The data were weighted to ensure the sample was representative of sex and age distribution.

It was about as analytical a measure of the public's preference as was possible, without going into more detail and greater expense.

Survey respondents made it clear that they favoured some growth in social-environmental living standards with 93 per cent opting for limited to strong emphasis. Only 7 per cent said they preferred total emphasis on growth in economic living standards, without any emphasis on social-environmental aspects.

Between 1960 and 1975, the sample perceived a substantial improvement in economic living standards, a slight worsening in social-environmental living standards and, overall, a very slight improvement in total living standards.

But, between 1975 and 1980, the survey found that economic, social-environmental and total living standards were perceived to have considerably worsened. And, despite the promised benefits of fast track development, the public perceives only a slight slowing of the decline in living standards over the next five years.

The results show that the public perceives their most significant benefits can be gained from an increasing participation in pre-school and tertiary education, greater technology, more community government, more leisure and greater equality of income distribution.

Increases in personal economic living standards provide minor benefits. And the public perceives neither personal costs nor benefits from growth in social welfare benefits and declining death rates.

Increasing overseas aid is perceived as a minor cost in terms of local living standards. Much more significant costs come from pollution, growth in crime and industrial stoppages, rises in the numbers of illegitimate children and divorces, reduction in wilderness areas, growth in city population and more advertising.

From these results, it seems clear, that Government policies to restrain spending on pre-school and tertiary education would be likely to displease New Zealanders since these aspects are regarded by the public as prime social benefits.

On the other hand, policies promoting a higher economic standard of living may have little direct positive impact on public attitudes since the public does not value the benefit from improved living standards all that much.

But, such policies could have a high indirect negative appeal if economic growth pressures add to pollution, since the public perceives pollution as having a high social cost.

View two – moderate growth in economic living standards encouraged, while economic, social and human resources are used to encourage limited improvements in social and environmental conditions – was perceived to have a total positive effect and was not seen to decrease well-being in any major way. The main increase in well-being would come from putting natural resources to use at a level at which they could be sustained indefinitely.

The second most important contribution to increased well-being would come from paying unemployed workers for doing socially useful activities.

Fast track development schemes promise rapid economic growth, but they also promise to make use of non-renewable natural resources and there is likely to be continued unemployment, at least in the short-term. The full-employment that this country once took for granted may never be achieved under these schemes.

If full employment is to be realised again, the trade-off may be slower economic growth and lower living standards. But this seems to be the option which would give New Zealanders the greatest overall well-being according to the Commission for the Future's survey.

Four future scenarios

New Zealanders were asked which of the following views they preferred by a Commission for the Future Study.

View 1:	Strong emphasis on growth in economic living standards; No emphasis on growth in social-environmental living standards.
View 2:	Moderate emphasis on growth in economic living standards; Limited emphasis on growth in social-environmental living standards.
View 3:	Limited emphasis on growth in economic living standards; Moderate emphasis on growth in social-environmental living standards.
View 4:	No emphasis on growth in economic living standards; Strong emphasis on growth in social-environmental living standards.

APART from the favourable impact of export-orientated economic growth and the use of modern technology, View 1 invoked unfavourable connotations. View 2 found substantial favour and Views 3 and 4 were fairly well favoured. With "Don't Know" answers removed, the following preferences emerged:

View 2	59 per cent
View 3	21 per cent
View 4	13 per cent
View 1	7 per cent

Source: Applied Research, University of Auckland October 1980.

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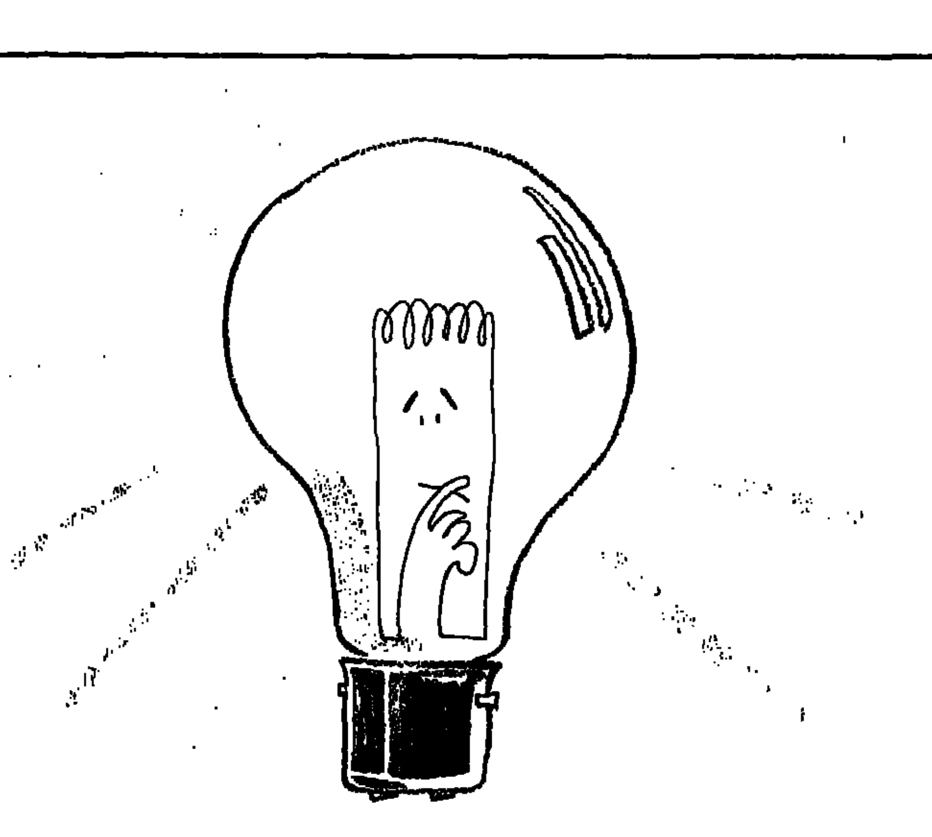

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NBR 24/11/80

Society seeks state commitment on sugar future

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

THE proposal to set up a sugar beet industry in Canterbury is still subject to charges and counter-charges about its merits.

On November 3, *NBR* discussed a strange press statement from Trade and Industry Minister, Lance Adams-Schneider, and called for more information.

Adams-Schneider duly obliged in a press statement of November 6, in which he "expressed disappointment" at the article on the subject.

We had a look at the second press statement in *NBR* of November 10, and suggested that the minister's three page second statement was an improvement on the first effort.

The Canterbury Sugar Beet Development Society Ltd wrote a letter to Adams-Schneider between the issue of his second statement and the publication of *NBR* of November 17.

That letter was doing the rounds after our deadline for last week's issue.

The society says that a letter from Adams-Schneider and his press statement in answer to our November 3 article (yes, we are getting confused, too), "has not clarified the issues that we are most anxious to clarify".

The society says it seeks no more than free competition or equal terms. "At no stage has this society sought 'guaranteed access', 'subsidy' or 'protection'. Those phrases have emanated from your own office".

It claims the Government already provides a so called "price-smoothing" scheme for New Zealand Sugar Corporation which in effect has amounted to "a very substantial subsidy of millions of dollars of taxpayers' money".

The society, in seeking to compete on equal terms, requires either access to this existing scheme or the complete abandonment of such artificial price support. It takes exception to Adams-Schneider's second press release which "implies (erroneously) that this society is seeking some form of protection or subsidy specifically for a beet sugar operation".

Adams-Schneider's press statement is said to imply a doubt as to whether farmers would enter long-term growing contracts. "Our society already has growers' undertakings from its members and can offer prices to the farmer considerably in excess of other crop alternatives."

The society has, in conjunction with Shell and Dalgety, spent many thousands of dollars on feasibility research into ethanol production only to find that this alternative is not viable unless it is in conjunction with beet sugar production.

It recognises the volatility of the international sugar price. "It appears that on this point the Government wishes to dissuade the industry and has used the reasoning (at different times) either that prices are low and thus a local industry could not compete, or prices are high and might come down.

"Surely it is time that the Government considered the *average* price pertaining over a period. Our own viability studies are most encouraging at *average* prices and indicate enough economic latitude to establish our own price-smoothing scheme separate from the Government.

"Nonetheless, it is ridiculous to contemplate a private enterprise price-smoothing scheme competing against a government price-support scheme favouring the NZ Sugar Corporation alone."

The society then says it is surely time to put all ambivalence aside. It refers to the Government's "chicken and egg" situation, because the society cannot commit itself to large expenditure to satisfy the Government on various points only to be told that the industry will not be permitted to proceed because of "vague trade policy considerations.

"We fear that the Government is not really interested in endorsing a sugar beet industry with or without a full feasibility study." It seeks Adams-Schneider's urgent and specific answers to several questions.

Assuming that detailed feasibility reports can be presented that will satisfactorily demonstrate — the economic viability of a beet sugar industry; the viability of ethanol production from beet is vastly inferior to sugar production; farmer willingness to enter long-term contracts to supply a factory producing 40,000 tonnes a year; the competitiveness of a sugar beet industry on equal terms with an industry relying on the refining of imported cane sugar raws; finance availability from local and overseas sources; and that no protection or subsidy is required for the local industry — then will the Government undertake "specifically and without ambivalence to":

- Permit (that is not guarantee) access to 40,000 tonnes of the local market for New Zealand beet produced sugar?
- Grant import licences for such sugar manufacturing plant as could not reasonably be expected to be manufactured locally?
- Grant the necessary consents, if requested, to permit overseas equity capital obtaining up to a 50 per cent equity holding in such an industry?
- Grant the necessary foreign exchange consents that would permit remittance of currency overseas to the vendors of a sugar factory and in payment thereof?
- Grant a New Zealand beet sugar industry access, and on equal terms, to the same price-smoothing scheme already enjoyed by the NZ Sugar Corporation *or* alternatively, abandon the existing price-smoothing scheme (in reality a price-support scheme) altogether?

The society seeks a commitment of faith from the Government, and says it would be irresponsible to authorise further large expenditure without such a commitment in writing.

Will the Government give such a commitment? Will it answer the questions? Will Adams-Schneider issue another press statement? Will *NBR* print that and comment on it? Watch this space.

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Merger of two food giants

THE deal worked out between Goodman Group and Wattie Industries probably makes sense to the directors of both companies, but it leaves a lot of questions unanswered.

First, who bought more than one million Wattie shares after Goodman announced its offer for 19.9 per cent of the Hastings-based food group was closed? Did that buyer (or buyers) purchase any other shares before or after the Goodman offer was announced?

In the week ended October 17, there were 142,200 Wattie ordinary shares traded on New Zealand exchanges, according to the daily reports of turnover. The next week the number was 97,700.

In the week to October 31, volume was 165,100 ordinary shares, rising to about 300,000 in the next trading period to November 7, the Friday before the Goodman offer came to the market.

That sudden jump appears more than coincidence, and, when added to the volume transacted after closure of the Wattie offer, is a reasonable slice of Wattie's ordinary capital.

What happened at the three or four days' negotiations between Wattie and Goodman? Is it correct, as suggested just before the announcement of Wattie's offer for 24.9 per cent of Goodman, that Goodman's "third party" did not like the terms of the Wattie offer?

If so, who was the third party?" Did it have anything to do with any other company?

Apart from the dividend payments and equity accounting the various shares (or another version of "double-counting", because there is no true cash flow, cf Tasman, Challenge and Fletcher), what is going to happen to the finance costs of this deal? It appears that the cost of the investment is non-deductible for tax purposes in either company, unless they can persuade the Commissioner of Inland Revenue that the interest expenditure was incurred in the "normal course of business". That may be difficult.

Is it necessary to have cross shareholdings in order to facilitate the various "joint ventures" which are being bandied about in the comments of directors when talking about the deal?

O'Brien on business

Analysing annual accounts: Wattie Industries Ltd

WATTIE Industries Ltd may have expected to earn more in the 1979-80 year than the $16,881,000 shown in the consolidated profit account, before equity accounting its share of associate companies.

The annual report has a note saying that the company has an income tax refund of $1,620,000 due from Inland Revenue.

The amount is made up of a $4,370,000 taxation liability in respect of the year, after deducting incentives and other allowances, less "provisional and withholding tax paid" of $5,990,000.

Either the company underestimated the amount of the taxation incentive due for exports and so on, or profitability failed to match its expectations.

One or other alternative may explain the discrepancy, but taxation in the previous year was $7,759,000, of which $1,857,000 was shown in the 1979 balance sheet as taxation payable.

Group operating earnings fell from $19,155,000 to $17,928,000, to which investment income of $4,335,000 was added to produce a pre-tax profit of $22,263,000 compared with $23,307,000 in the previous year.

Tax liability was reduced by both the lower level of operating earnings and the effect of export incentives. Total group exports were up 48 per cent, and the company's export incentives were worth $2,263,000 as against $1,406,000 in 1979.

Total allowances, which include non-assessable dividends, were $4,160,000. In 1979 the corresponding figure was $2,755,000. The respective "full" tax payable on pre-tax profit (at 45 cents in the dollar) was $10,018,000 in 1980, compared with $10,488,000.

The main profit downturn appears to have been in the General Foods Corporation (NZ) Ltd subsidiary. The review accompanying the accounts says:

"The corporation suffered a marked downturn in profitability mainly due to the results of the ice cream division, which is the largest single activity of the corporation."

The imposition of sales tax in May 1979 and a poor summer led to a downturn in sales of ice cream. The impact of inflation and increased costs, which necessitated increased selling prices, caused marked changes in sales product mix within the ice cream industry. The frozen novelty section suffered reduced sales as selling prices increased."

The General Foods subsidiary is included in the divisional accounting breakdown under "food processing and marketing". While this division's sales increased from $186 million to $223.6 million, the profit after tax increased only marginally from $10,023,000 to $10,863,000, and it should be remembered that a large share of the export incentives is applicable to this division, suggesting that the pre-tax profit figure may have been substantially down.

The application of export incentives to particular divisions, without a statement of the pre-tax earnings for the divisions, can distort the overall position of company trading.

Two divisions, "service industries" and "trading" had a decline in earnings after tax, but they are areas where most of the turnover is gathered from the domestic economy, proportionate to the food processing and marketing division.

For example, 1.75 per cent of the services division and 1.49 per cent of the trading division's sales came from exports, compared with 10.9 per cent of food processing and marketing.

In the previous year the food division's export sales were 5.38 per cent of turnover.

Most of the balance sheet changes are in line with movements in the overall business, but there was an increase of 20.7 per cent in inventories, which had the effect (coupled with no tax liability in the current liabilities section of the balance sheet, a provision for a tax refund, and a $4 million lift in overdraft) of raising current assets $20.1 million or 15.8 per cent while lowering current liabilities by $1.6 million.

There is no indication of how much inventories increased in value under the pressure of inflation, or whether there was also a substantial rise in volume.

If the latter, we are still unaware of how much of the change was due to an expected lift in business and how much to possible overproduction in anticipation of sales and profitability movements which seem to have been eroded, particularly in the second six months.

The present system of export incentives is well suited to a company in Wattie's position, when a pre-tax downturn can be changed into a reasonable after tax gain, with the result that the return on shareholders' funds (up $12 million to $145.3 million) went from 11.6 per cent in 1979 to 12.1 per cent in 1980.

The table from which those figures are taken shows the return on shareholders' funds at 12.2 per cent in 1976, 12.5 per cent in 1977, 11.3 per cent in the following year, and then 11.6 per cent in 1979.

Wattie, as shown in the accounts, is an example of a company which must rely on exports for real growth. It covers large areas of the local market in industries where improvement in volume can come only from population increases.

International markets for processed food operate on fine margins, and the incentive system helps a New Zealand company by making it competitive, provided the sale is made on other grounds.

may involve third party

Who else has built up sizeable shareholdings in Wattie in recent times, whether under their own names or in apparently innocent names of others?

In other words, what has been going on in this free and open market, which is supposed to be the basis of the New Zealand securities industry?

There is a slight possibility that we may find out one day, if some bright character decides to take action under the "oligopoly" provisions of the Commerce Act.

The Act says: "Oligopoly means a situation in which the possession of a share of the market for any goods or services or for any particular description of goods or services or of both goods and services is such as to enable a predominant influence to be exercised over their supply or price or both".

The Act also says that the Examiner of Commercial Practices may commence a preliminary investigation on his own motion *or at the request of any person* (*NBR* emphasis).

It might be hard to prove an oligopoly in the milling and baking industries, because, as mentioned in *NBR* of November 17, there are controls imposed by the Wheat Board or by Trade and Industry at all stages of the process from planting the wheat to selling the consumer product, and processors are unable to switch their flour and so around at their own whim.

But the Act's provisions open up interesting possibilities.

The rest of the market quietened down a little up to the middle of last week, as investors appeared to sit back.

The continuing rumours of other big merger proposals are keeping general interest in the market at a reasonable level. Unless one comes soon there is likely to be at least a small technical shakeout in prices, after the mini-budget provisions (mostly anticipated) have been absorbed.

Lion Breweries managed a strong profit rise in the six months to September, but the market anticipated a reasonable figure. The shares were only slightly higher cum dividend than they were before the announcement, but they had risen strongly in the overall market surge since the proposed Challenge, Fletcher and Tasman merger set everything into the stratosphere.

Before that shockwave hit the market, Lion was selling at around $1.03, but was at $1.25 in the middle of last week; where the yield from the indicated dividend (assuming no increase in the final payable next year) is 8.8 per cent before taking account of the tax free portion.

Assuming beer consumption stands up during the summer (a matter which also depends on the weather), the other Lion activities should ensure an excellent result for the full year. That yield is healthy, particularly when individuals take their marginal tax rates into account.

Note: The writer neither owns nor has a beneficial interest in any of the securities discussed here.

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O'Brien on business

GPI acts as guide to input and output prices

THE Government's latest economic package is put together against a background of a continuing high level of inflation.

The release of the General Price Index for the September quarter, and the all foods section of the Consumers Price Index for October, came only a short time before the Government finalised its fine-tuning policies for the economy.

The all foods index, which has a weighting of about 18 per cent in the total CPI, shows what *has happened*. The latest figures for the GPI give a broad indication of what *may happen* in the near future.

The food index increased 20.4 per cent in the October year. There was a movement of 2.2 per cent when October price changes were compared with the previous month.

Monthly movements in the food index are often subject to seasonal factors, particularly for fruit and vegetables, and to prices received on export markets, a point which is relevant to alterations in meat prices.

The 2.2 per cent is the highest recorded since March, when there was a change of 2.5 per cent, caused mainly by solid price rises for meat and for fruit and vegetables.

The General Price Index is a more complex statistical indicator, because it compares movements in inputs and outputs over a range of industrial groupings, including central and local government.

(The last two sections are interesting because they still contain only inputs, and no indication of outputs. Measurement of outputs in central and local government is a difficult problem, although the cynical could make a few suggestions about output changes in those "industries".)

The various industry groupings allow a comparison between the "inputs" (producer's prices including commodity taxes paid and subsidies received by the producer) and "outputs" (factory door prices, "or as close to this level as it is a firm's practice to price, before addition of commodity taxes or deduction of producer commodity subsidies".)

The input indices in some cases correspond roughly to the alterations in the output indices, and, since the index takes us up to September, the latter are already reflecting price increases which flow from the former.

But in other cases a sizeable rise in the input index, without a corresponding climb in the output index can signal a probable price change by the producer a little further down the track, to preserve margins.

The communications sector is an example, although this is also history following the rise in Post Office charges. The inputs of that sector rose 7.4 per cent between June and September, and 32.2 per cent over the corresponding period of the previous year.

Outputs were virtually static between June and September but rose 12.8 per cent over the previous year.

The Department of Statistics' new release says a rise in freight costs was the main reason for the change. That may be so, but the input increase has to be recovered somehow, and a lift in charges is the obvious method.

The "paper, printing and publishing" industry's inputs went up 3.37 per cent between June and September, and 22.4 per cent over the year. Output prices were respectively 2.17 and 17.7 per cent higher for the two periods.

Therefore, a jump in the price of newspapers and other publications was inevitable. It occurred in most daily newspapers, followed by an adjustment in October to take account of the rise of postage rates on magazines and similar printed material.

The time lag in publishing the statistics means that some of the expected price rises have already occurred, but in other cases it is possible to anticipate a future movement.

Those comments are subject to the overriding warning made here on other occasions when considering the General Price Index.

There is considerable overlapping between industry sectors. For example, many of the output prices of the agriculture industry group become the inputs of the food, beverages and tobacco industry group.

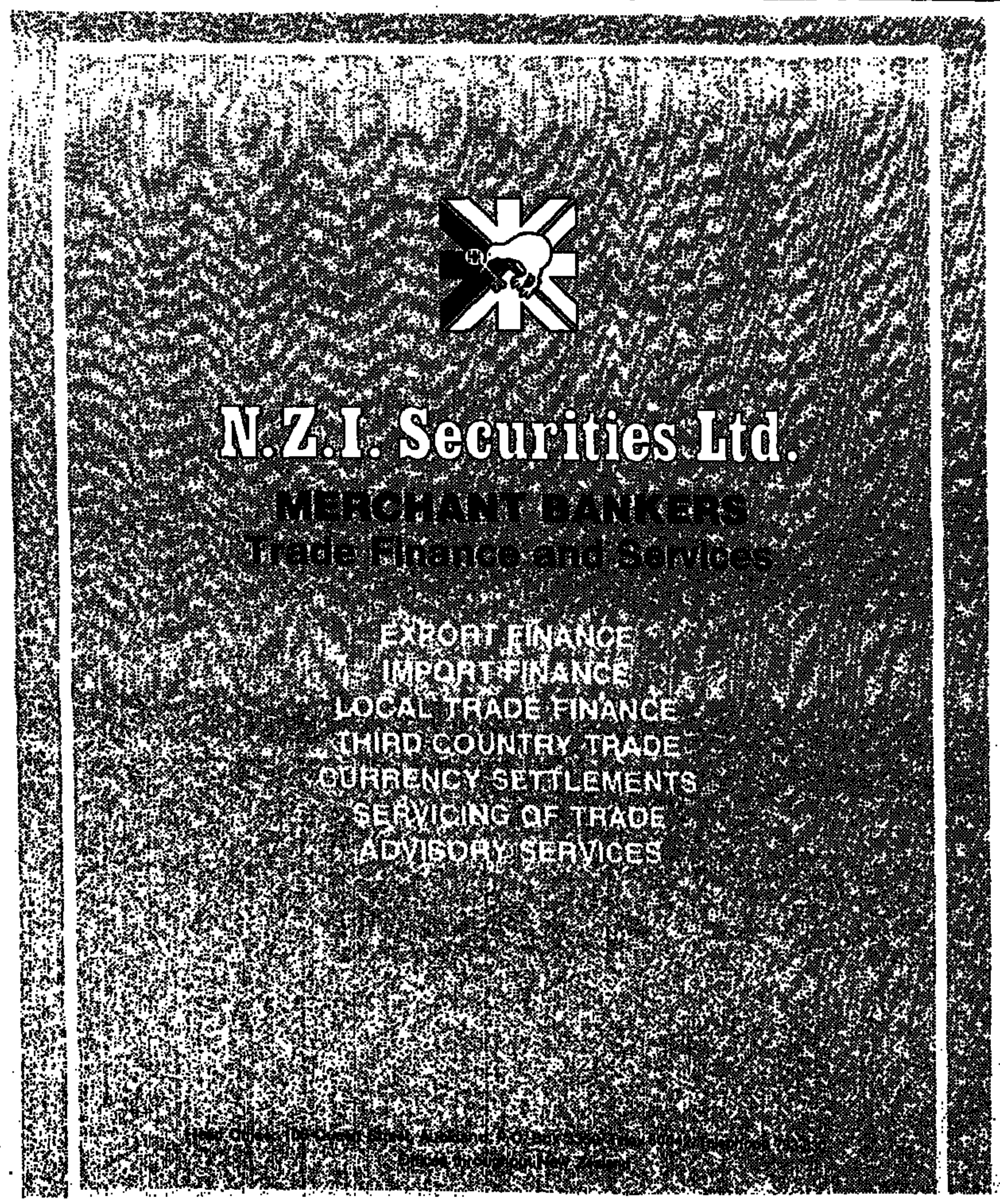
It is likely that a reasonable proportion of the chemicals, petroleum and plastics industry group's outputs are some of the inputs of the "other manufacture" group, as well as finding a flow-on home in the food

The element of "double-counting" has other flow-on effects. The restaurants and hotels group has inputs which are the outputs of the food group, which in turn picks up some of its inputs from the agriculture section, and costs related to packaging.

And the inputs and outputs of electricity, gas and water flow through to every other industry classification, as do the costs of central and local government.

In this sense, the General Price Index is a multi-dimensional indicator, if it is used to examine the movements or likely movements in final prices to the consumer.

This is not its prime economic purpose, but the availability of the index allows people in business to use it (provided they make allowance for the factors mentioned) as an additional guide to likely developments in their own input and output prices.



US producer prices

PRODUCER prices in the United States rose 0.8 per cent in October, after an unusual decline of 0.2 per cent the month before. This compares with an average increase of about 1 per cent during the first nine months of the year and throughout 1979.

About half the October increase resulted from higher prices for automobiles and trucks, as manufacturers introduced their 1981 models. Automobile and truck prices had fallen the month before, as auto firms phased out their old models and lowered prices to clear inventories in preparation for the 1981 vehicles.

Food prices also rose, after declining in September, and accounted for most of the rest of the overall October.

US indicators improve

A SERIES of American Government indicators designed to forecast movements in the economy rose in September for the fourth straight month, providing further evidence that the United States

dicators rose 2.4 per cent following a revised 1.7 per cent increase in August. Eight of 10 indicators available for September contributed to the increase, with the decline in the rate of layoffs from manufac- ... jobs contributing most

Stock Exchange weekly review

FOR WEEK FRIDAY NOVEMBER 14 TO THURSDAY NOVEMBER 20

	Last sale	Week's high	Week's low	Turnover

	Last sale	Week's high	Week's low	Turnover

	Last sale	Week's high	Week's low	Turnover

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Commission knocks wind out of whistle blowing

Continued from Page 1.

the property (for the second time) pursuant to a board decision. There was evidence, the commission found, that it did so "somewhat unwillingly".

The Fitzgeralds were certainly not impressed and apparently voiced their feelings at dinner in the MacIntyre residence that evening.

On March 21, MacIntyre became acting Minister of Lands and told Wynn that he had received a complaint relating to the Fitzgeralds' application and mentioned four matters that seemed unsatisfactory.

Wynn passed the message to the department and the details of the application were again "thrashed out" by departmental officers.

The fourth occasion also involved MacIntyre. On March 24 he had a very brief conversation with the Director-General of Lands, Noel Coad, asking if it was departmental policy to make copies of budgets available to applicants.

On being told that it was, he advised Coad that the Fitzgeralds did not have such copies. Coad undertook to look into the matter.

The Fitzgeralds soon got the budgets, notwithstanding the department's Wellington office's ignorance of the policy of availability.

Those four occasions did not directly lead to the success of the application. Indeed the board turned the application down on April 1 and finally agreed to it on the basis of revised budget data some 10 weeks later.

The Fitzgeralds' "notable persistence and tenacity" together with the board's embracing of the need to combat what it terms "urban blight" — the decline of rural land on the fringe of cities — carried the day.


Venn Young ... spoke to his letter


Duncan MacIntyre ... "inadequate and faulty judgment"

The Fitzgeralds enjoyed a number of advantages over other potential applicants. They were persistent. They were clearly highly articulate. They lived in Wellington and could deal face-to-face with the bureaucracy. They had obtained the property at a low price. And they had the "ministerial connections" which inhibited any departmental temptation to tell them to get lost.

All of these things meant that the Fitzgeralds' application came before the Marginal Lands Board on eight separate occasions.

It was in this context that the commission sought to ascertain whether or not there had been "impropriety" in the sense of the seeking or obtaining of any improper advantage.

It found that there had been none.

The property was not a speculative proposition. The development of the property was possible and was within normal board policy. And the board had ultimately been persuaded (apart from White) on the basis of the budgets and the applicants' personal commitment.

The political context within which the inquiry was conducted was highly charged. Anything short of severed ministerial heads was bound to provoke charges of "whitewash".

In fact the report is generally persuasive. The major gap is in the absence of comparative analysis.

The commission's report does not refer to previous board practice as to the size of loans, applications for review by the Minister, conditions as to applicants' ownership of other properties, the amount of consideration given to particular cases, or the "urban blight" phenomenon.

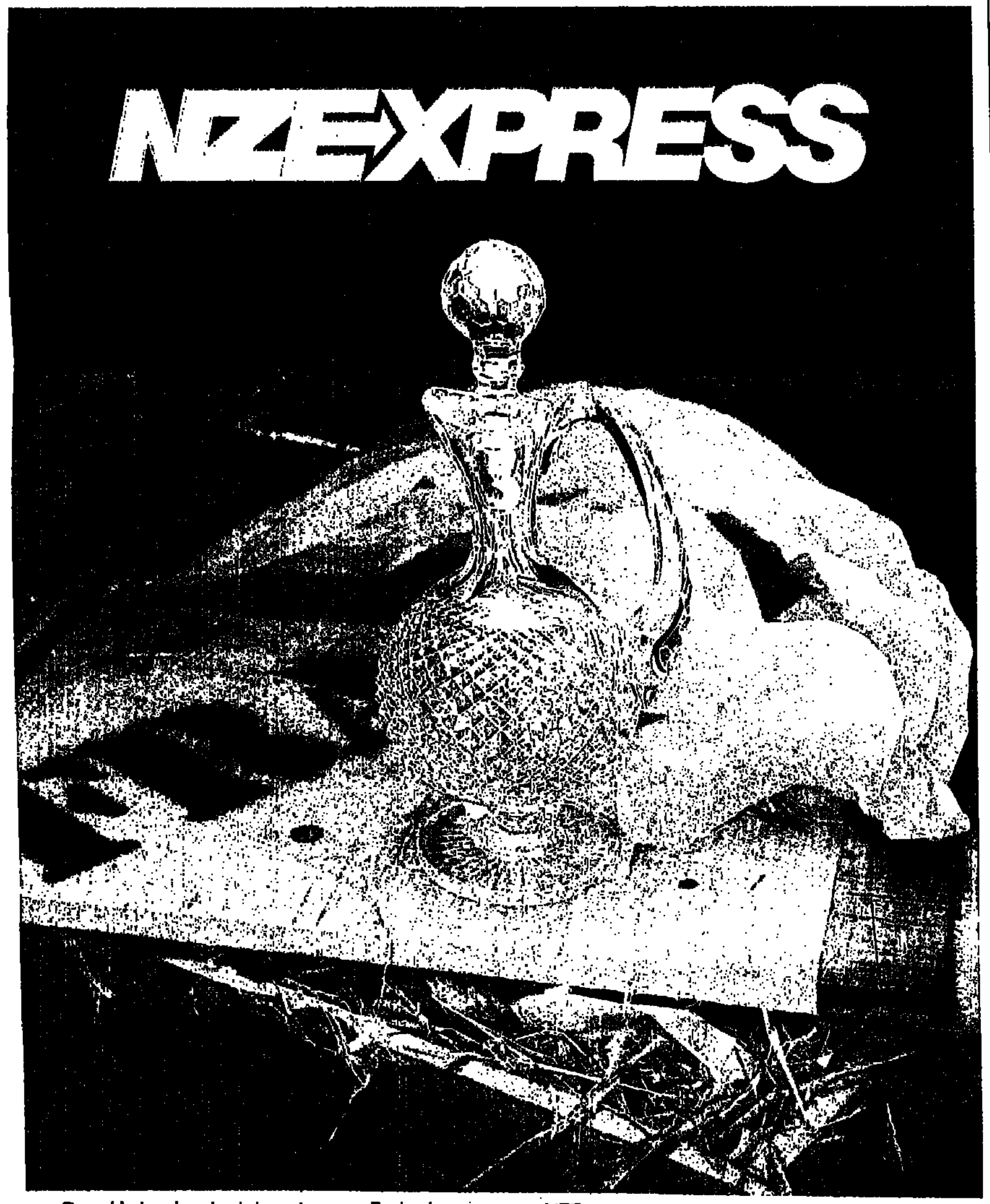
Resignation is not a virtue of New Zealand Cabinet Ministers. But if one considers the indiscretions which led to Westminster resignations over the Crichel Down and Profumo affairs, the findings that MacIntyre was unhelpful, of unreliable memory, and displayed "inadequate and faulty judgment" are such that that virtue might well have been revived.

Ultimately, of course, the electorate will hand down a verdict.

The commission's treatment of Roly White is less than gracious.

He may well have been "obsessed" and "inflexible" and, consequently, an unreliable witness. But to describe as "irresponsible" the person who "blew the whistle" which led to the commission's several findings of less than adequate conduct seems at best inappropriate.

The politically healthy art of "whistle-blowing" is under legal threat following a recent English court decision. The criticism of White will surely inhibit the practice of the art in this country.



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Architect-designed homes attract affluent elderly

by Lindsey Dawson

BEAZLEY Homes new range of architect-designed houses has shifted the company into a new market, away from first home buyers and toward older people with more money to spend.

The step was taken as a result of inflation and changing lifestyles.

Young people are finding new homes almost impossible to finance. The price difference between building a basic, typical sub-division "box" and buying a five-year-old house complete with established garden and paths and interior fittings can be between $10,000 and $12,000. So people buying their first houses are looking in the second-hand market.

Most people interested in building are already homeowners who are moving up-market.

"They're looking for flair, good design and good workmanship. They're not building to a price so much. Our new houses, for instance, have Caroma fittings as a standard installation. Once we would have used the cheapest tap we could find," said general manager Ken Howard.

Beazley is therefore looking to the more affluent people to buy its new-look home designs. They were commissioned from Kevin Clarke of Kevin Clarke and Associates, David Mitchell of Hill, Manning, Mitchell, and Mason Pepper of Pepper and Dixon. According to Howard the public response has been excellent since the plans were *launched* in October.

There are about 20 stock plans in the new Beazley book, and each comes with a number of alternatives and features which can change the look of the finished structure. Some designs have the same basic floor plan but come in colonial, Spanish, traditional or settler variations. One is a three-stage home which can start as a basic two-bedroom unit; bedrooms, study and double garage can be added as the need and finances expand.

Beazley, part of the Fletcher housing group, is also offering home furnishing, home appliance and landscaping packages as part of the purchase price. Buyers can include drapes, light fittings, washing machines, letter-boxes and fences in their mortgages.

Beazley's selling point is that these are "affordable" architect-designed homes.

"Get an architect to design you a house and you'll be starting at $1000. It costs you nothing to choose one of our plans.

"The other side of the question is that you then have to find someone to build it and because it's a 'one-off' design there are often problems because it hasn't been built before," said Howard. Most of Beazley's new designs have been test-built to establish the most efficient methods of constructing them — "we've shelved two or three in the meantime until we figure out the best way of putting them together."

Clients can organise their own finance and choose their own decorative touches. But, if they want advice, Beazley will help to steer them through the financial forest and refer them to merchants where they can buy at discount.

Beazley is setting up a central show-room in Auckland where clients will be able to choose and co-ordinate colour combinations for their homes.

The new Beazley homes range in price from $30,000 to $60,000 and in size from about 95 to 200 square metres (1000 to 2000 square ft).

Howard sees Beazley's new co-ordinated approach as being a start to far-reaching changes in the way people think about housing.

"Big changes are on the way. House and section prices are soaring. Timber has gone up 46-48 per cent in the last 12 months. Land is getting more and more expensive to develop. New Zealanders will have to get used to the idea that days of everyone being able to have their own home on their own section are probably history."

Howard refers to the sort of sub-divisions being built in Australia and California, where tracts of land are covered with essentially the same home, in the same materials and the same colours with only slight variations. He says it is the sort of thing New Zealanders will be buying in the future.

"This idea of having your own individually designed house is peculiar to us. In most countries the emphasis is on creating identity with your interior decor," he said.

He believes that rising building costs will force New Zealanders into that type of housing. He cites some areas of Howick and Pakuranga, where many homes have been built without significant differences between them as indicative of the trend.

Changing lifestyles, with more women going to work instead of staying in the home, an increase in medium-density housing, a desire by commuters to be closer to work because of high transport costs, and a reluctance to spend leisure time on house maintenance chores are more reasons why this country is likely to see something of a housing revolution, he says.

Renting may become much more common. "Things are changing so much. Young people used to save up for a section and then a house when they first got married. But now many of them see that as being beyond their reach. And there are so many more ways to spend their money — on travel and consumer goods."

But rental accommodation is very tight because investors are not interested in the low returns available from rental properties. Major changes in this area can only be initiated by Government.

In the meantime, and of more concern to companies like Beazley, is the fluctuation in the building business. In 1974 39,700 building permits were issued. The figures are now running at 15,200 and next year's projections are down to 10-12,000.

"As a company we don't mind if the figures are low, as long as they are steady," said Howard.

The country has lost much of its skilled labour overseas and a rapid up-turn in demand could find the industry without the labour to build the needed homes.

"If we continue at a low level for the next two or three years I can see big problems ahead if there is a surge in demand."

Another problem for the future, he sees, is that very little land is being developed.

"Very little land has been developed in New Zealand for the last two years. You used to see it being developed all over the place — now there would be about two blocks being worked on around Auckland."

Sub-division of land is a very expensive and protracted business. It can take up to two years and cost about $10,000 to develop each section. Which is good news for anyone sitting on a chunk of real estate — and bad news for their children, whose chances of owning property will diminish year by year as long as present inflation rates continue.

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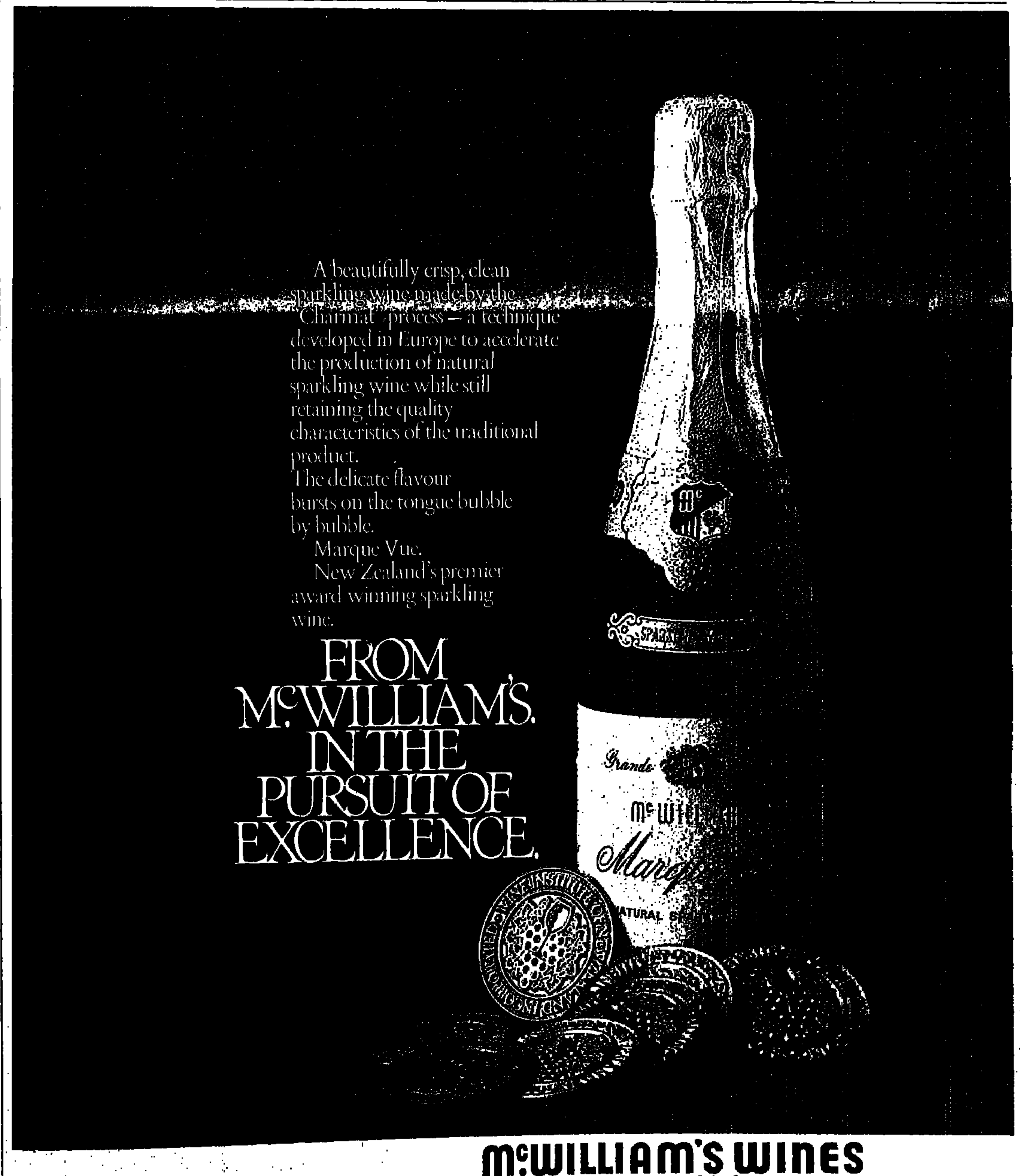

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MORE POPULAR PROGRAMMES TO INCREASE VIEWERSHIP

Drama

New Season dramas on Television New Zealand include new series of popular high-rating favourites "The Professionals", "Minder", "Dallas", "Secret Army" and "Hart to Hart" and the continuing stories of "Close To Home", "The Sullivans" and "Coronation Street". Brand new to New Zealand are "Knott's Landing", an intriguing spin-off from "Dallas", a series from the masters of the macabre, Hammer Films in "The Hammer House of Horror", and exciting space-age action adventure in "Battle Star Galactica".

Comedy

Morecambe and Wise, the Kings of Comedy, brighten up Television New Zealand's New Season schedules with a brand new series, heralding top-line comedy from a number of established favourites and audience winners. There's the bizzare goings on with the Tates and Campbells in "Soap", the problems of life in the 12th Precinct in "Barney Miller" and the familiar foibles of Eddie Roberts. Brand new are two lovely ladies—Sandra Payne of "Just Liz" and cockney sparrow Lorraine Chase of "The Other 'Arf".

Documentaries

Documentaries are top-priority viewing with a large part of our audience, and series such as David Attenborough's "Life on Earth" and Jacques Cousteau's series rate very highly. This year promises more of the same with the excellent BBC natural history unit "Wildlife On One" productions, in addition to our own Dunedin natural history unit's efforts on local wildlife. Also from Television New Zealand are the much talked-about "Lookout" and "Contact" series now well-established and building on the reputation of their first year.

Movies

Movies on Television New Zealand take a definite step forward this year. Included in the blockbuster line-up are titles such as John Wayne's "True Grit", Robert Redford's "The Great Waldo Pepper", "MacArthur" with Gregory Peck, George C. Scott in "The Hindenburg", a star-studded cast including Richard Harris and Vanessa Redgrave in "Camelot", Steve McQueen's "Bullit", Peter Sellers' comic classic "The Return Of The Pink Panther" and the Tommy Steele and Fred Astaire musical "Finian's Rainbow".

Children's

Children's viewing in Television New Zealand's New Season presents a host of old favourites and a ton of brand new goodies. There's "Metal Mickey", a lovable trouble-making robot, more highway adventures in "Dick Turpin" and more from old favourites in "Chips", "The Six Million Dollar Man", "The Muppets", "Wonder Woman" and "Star Trek".

Sport

Television New Zealand Sports continues the well-established and popular policy of live-satellite coverage of major international events this year. Major telecasts already planned include the F.A. Cup, Melbourne Cup, All Black's Tests in France and Wimbledon Tennis. "Sport On One" will continue its wide-ranging coverage of sports on the home scene while "Sporting Life" will provide the in-depth backgrounders.

Television New Zealand keeps getting better. In the new 1981 season from 1 March, we're continuing the fine tuning of our programme format so that, whilst still retaining a complementary programming philosophy, we now offer more popular programmes in better time slots. This means that you, the advertisers, will have a longer list of programmes to buy from which deliver good TARPs (Target Audience Rating Points).

As a bonus, Monday will now be a commercial night on both channels (subject to tribunal approval). In 1981, more than ever, television, the prime medium, is ready to give you the best value from your advertising budget. Sharpen your pencils. Get out your calculators. TVNZ 1981 Super Season is more effective than ever.

The 1981 Super Season

PROGRAMMES SCHEDULED SO THEY DELIVER MORE TARPS

TV ONE 6pm–close

Saturday
Ready to Roll
News
Ray Woolf
Big Movies
L.A.T.E.R.
News

Sunday
People Like Us
News
World Watch
N.Z. Documentaries
Country Calendar
Love in a Cold Climate
Devil's Crown
News
Newsmakers
Plays
Offerings
News

Monday
Crypto Cross
News
Close to Home
Regional Prog.
Bloomers
N.Z. Comedy
Minder
Soap
Dallas
News

Tuesday
Science Express
News
Close to Home
Regional Prog.
Fair Go
Mortimer's Patch
Morecambe & Wise
Only When I Laugh
Knott's Landing
News

Wednesday
Dick Turpin
News
Coronation Street
Regional Prog.
Close Up
Barney Miller
Sporting Life
News

Thursday
Metal Mickey
News
Coronation Street
Regional Prog.
Hart to Hart
Contact
Movie for T.V.
News

Friday
Breakaway
Edge of Cold
News
Coronation Street
Week with 1
Regional Prog.
Beehive
Kaleidoscope
Mainly Mahoney
Best of ....
News

TV TWO 6pm–close

Saturday
Sports Review
News for Deaf
Laverne & Shirley
Like 1:2
Foreign Correspondent
Master of Arts
Rings on Fingers
Butterflies
Parkinson
News
World Cinema

Sunday
Natural History Documentaries
Week with 2
Potter
Sykes
Movie for TV
Radio with Pictures
Quest (R)

Monday
News
Six Million Dollar Man
Keep It In the Family
Robin's Nest
Walks Far Woman
The Dream Merchants
A Man Called Intrepid
Mr Horn
News at Ten
Leave it to Charlie
The Rookies

Tuesday
News
N.Z. Quiz
Battle Star Galactica
Benson
Monte Carlo Show
Charlie's Angels
Eye Witness
News at Ten
On the Mat
Police Story

Wednesday
News
N.Z. Quiz
Muppets
Mork & Mindy
The Sullivans
Professionals
Hammer House of Horror
News at Ten
Movie for TV

Thursday
News
Chips
Happy Days
Secret Army
Just Liz
The Other 'Arf
Eye Witness
News at Ten
Took & Co.
Life Begins at 40
Strangers

Friday
News
Pathfinders
BJ and the Bear
Hello Harry
Hill St Station
News at Ten
Movies

Programmes may be subject to change. Programmes grouped together screen in the same time slot throughout the year.

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Media mix mix up

by Grev Wiggs

WITH network television reeling from the blows of cable TV, with the audience count made horrendously difficult to compute because of the segmenting of audience, and with magazines enjoying a resurgence of popularity, American advertisers and agencies are finding the right media mix difficult to determine.

These are views expressed by two visiting agency men from Needham, Harper & Steers, an American agency, which, billing $340 million domestically, is listed in the top 20 in the United States.

Blair Vedder is president of the domestic company and is located in Chicago. Norman Steen is president of Needham, Harper & Steers International and operates from New York.

"Cable came into the lives of the community slowly at first. Now it has exploded," Vedder told *Admark*. "For example, cable is now available to every area in Chicago."

It seemed that the Government, in order to break down the power of network television, had encouraged the development of cable TV. The Government had seemed unwilling or unable to enforce copyright laws and cable companies were taking network material and re-broadcasting it.

Blair Vedder ... cable explosion

Norman Steen ... audience segmentation

"Today cable homes, instead of having the choice of three networks and one or two independent stations have access to 40 channels. The problem for advertisers and agencies is to know what audiences are being reached.

"Previously the Neilson survey of 1200 homes provided the answers on network listening habits. With the possibility that the audience is split up to 40 ways, the old method is no longer adequate. How do you measure a 40 channel breakdown?"

Steen explained that cable TV is now a generic term as a physical line connection is no longer necessary. Cable companies can use ordinary transmission methods but with a scrambled signal which is unscrambled by the home receiving set.

"Because of the segmentation of the TV audience," Vedder said, "it seems that television in the future will be able to be used selectively, like print. Using the rifle instead of the shotgun approach, it will be possible to direct specific product messages to identifiable audiences."

But television is not holding the vast audiences it formerly did. Because television eats up creative material at a great rate, the quality of programme material is not what it was and the price is the loss of listener loyalty.

At the same time there is a resurgence of interest in print media, particularly magazines.

"The new readership does not result from popular magazines with huge circulations," Steen said, "but from more magazines catering for special interest groups. There is a marketplace for new magazines and advertising has rediscovered the magazine medium."

NHS's world billings, not including its associates' component, will top $422 million this year. In New Zealand it owns a small piece of J Inglis-Wright.

Vedder was asked if gloomy economic conditions aroused nationalistic responses in countries where multi-national advertising agencies operate.

Multi-national agencies are accepted everywhere, according to Vedder and are not under threat unless free trade disappears completely.

"In periods of economic softness, the tendency of a country is to go into a cave to protect itself and protect its jobs. But such policies are self-destructive as history has proved," Vedder said.

"We feel that we can best serve our clients through the services of highly motivated nationals in each country, using their own skills and their knowledge of their own country, not acting as loudspeakers for American policy or using American copy."

PROGENI talks about

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PROGENI has placed a great deal of importance on the design and development of communications systems. For small, friendly office systems that place the latest information concerning your business at your fingertips. And for large, database communications networks for public authorities and service organisations.

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Seminar scheduled

MARKETING men lining up their seminar season for 1981 should note that "Advertising for profit" will be the subject discussed at seminars planned to be held in March at Auckland, Wellington and Christchurch by the Association of Accredited Advertising Agencies.

The Auckland branch of the 4A's has invited Dr Simon Broadbent to conduct its 1981 lecture tour.

Broadbent is a London-based advertising and research expert and has authored the book *Spending advertising money* and the recently published *Market researchers look at advertising*.

He has twice been winner or joint winner of the Thomson silver medal for advertising research and has twice won the Marcel Dassault gold medal for advertising research.

Air NZ studies public image

by Lindsey Dawson

ANGELA Austad's report on Air New Zealand is expected to be before the airline's top executives Morrie Davis and John Wisdom within the next few weeks.

Austad, formerly deputy managing director for the advertising firm Dobbs Wiggins McCann Erickson (which has Air New Zealand, the National Party and a host of other Government ad accounts) was commissioned to investigate the state of communications within the company and the image it presents to the public.

She said it would be "inappropriate" for her to talk about the results of her investigations and that any comments could only come from Wisdom or Davis.

She told *NBR* her six-month task had been extensive and demanding because of the complexity of the airline business and the large numbers of staff. She has spoken to a wide representation of people within the company, and has also been listening to the public on what they think of their airline.

Austad's assignment has been carried out at a time when the airline has been labouring under criticism and when its public image has been less than rosy.

Although Air New Zealand "knocking" seems to be on the wane as the airline prepares for the 747 era, the airline still faces the prospect of further tough times along with all the world's airlines.

Many overseas companies are taking harsh steps to cut costs, shedding staff and cutting down services – moves which inevitably rebound on their public image.

Air New Zealand may have to institute drastic cost-cutting too, and its executives are no doubt wary of reactions from staff and public if unpopular moves have to be made.

Business management game

Finalists for business management game decided

WITH the end of round three of the International Computers business management game the four teams who will be contesting the final and the $1200 prize are now known.

Despite having to handle highly inflationary conditions with record interest rates together with strict price control for the latter part of round three, the teams generally coped pretty well and continued to make very healthy profits. Apart from the South Island area where the Wilkinson Wilberfoss Dunedin office team narrowly maintained their leading position at the halfway stage, in all the other areas upsets occurred.

Paul Weatherburn's team of Auckland businessmen showed masterly cashflow management to overhaul the $760,000 lead held by the experienced Rangipo Syndicate team from Turangi to win by the comfortable margin of $1.4 million and make the largest profit of any team in round three. Weatherburn's team concentrated on keeping production costs down and ensuring a good market share but without over-expanding and running out of cash under conditions of high interest rates and limited borrowing capacity.

In the Central North Island game the other Turangi team led by D Keats and J Hunter from the Ministry of Works were more successful and moved up from second position to first to win fairly comfortably from P H MacRae's team at Freightways Data Centre. Again good cashflow management following acquisition of a large market share paid off handsomely.

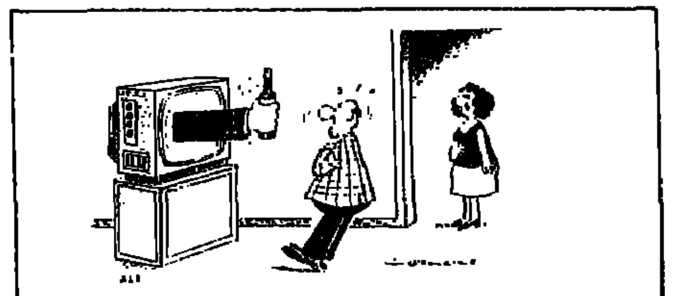
The Wellington area game saw a complete change of fortunes as the Ministry of Transport team overcame a $1.5 million advantage held by the JYM team to win by $1.2 million over AMP Acceptances (NZ) Limited. The AMP money men were in quite a strong position but lost out heavily on market share through overpricing

In the South Island area the Dunedin accountants after establishing an early very strong position ended up at the end of the round only $400,000 ahead of K Hanvey's team at the Canterbury Savings Bank, who made much the largest profit in the last period but not quite enough to win the game.

ICL's business management game administrator, Jane Thomas says that the finals, to be held over two days in Wellington on December 5 and 6, promises to be again closely fought. For the first time for some years the private and public sectors are equally represented. She also comments that while not picking any likely winners, the Ministry of Works engineers from Turangi have a long history of good performances in earlier days of the ICL management game.

The four winning teams all receive a $400 cash prize and the ultimate winner of the final a further $800. The detailed final results from round three are given

	PROFIT HALF WAY ($000's)	PROFIT FINAL POSN. ($000's)
GAME TA (Auckland Area)		
Weatherburn Syndicate, Auckland	8,877	16,438
Rangipo Syndicate, Turangi	9,644	15,064
Winstone Wallboards Limited, Auckland	8,448	14,682
3M New Zealand Limited, Auckland	8,098	13,218
NZ Fibre Glass Limited, Auckland	6,303	10,859
GAME TB (Central North Island Area)		
Ministry of Works, Napier/Turangi	8,924	15,918
Freightways Data Centre, Auckland	7,699	14,224
Central North Island Timber Company	9,499	12,937
National Chartered Accountant, Auckland team	7,483	12,745
Forestry Dept, Tasman Pulp & Paper, Kawerau	6,264	10,403
GAME TC (Wellington Area)		
Ministry of Transport, Head Office team	7,494	13,942
AMP Acceptances (NZ) Ltd, Wellington	8,175	12,787
JYM Team, Wellington	8,983	12,659
Todd Motors Limited, Porirua	7,804	12,277
NZ Railways, General Manager's Office	6,652	8,825
GAME TC (South Island Area)		
National Chartered Accountant, Dunedin team	10,831	15,145
Canterbury Savings Bank, Christchurch	9,966	14,703
Chem Industries (NZ) Limited, Dunedin	8,143	12,637
A M Satterthwaite & Co, Christchurch	8,153	10,841
Environ Mechanical Services Pty Ltd, W'ton	3,928	4,194



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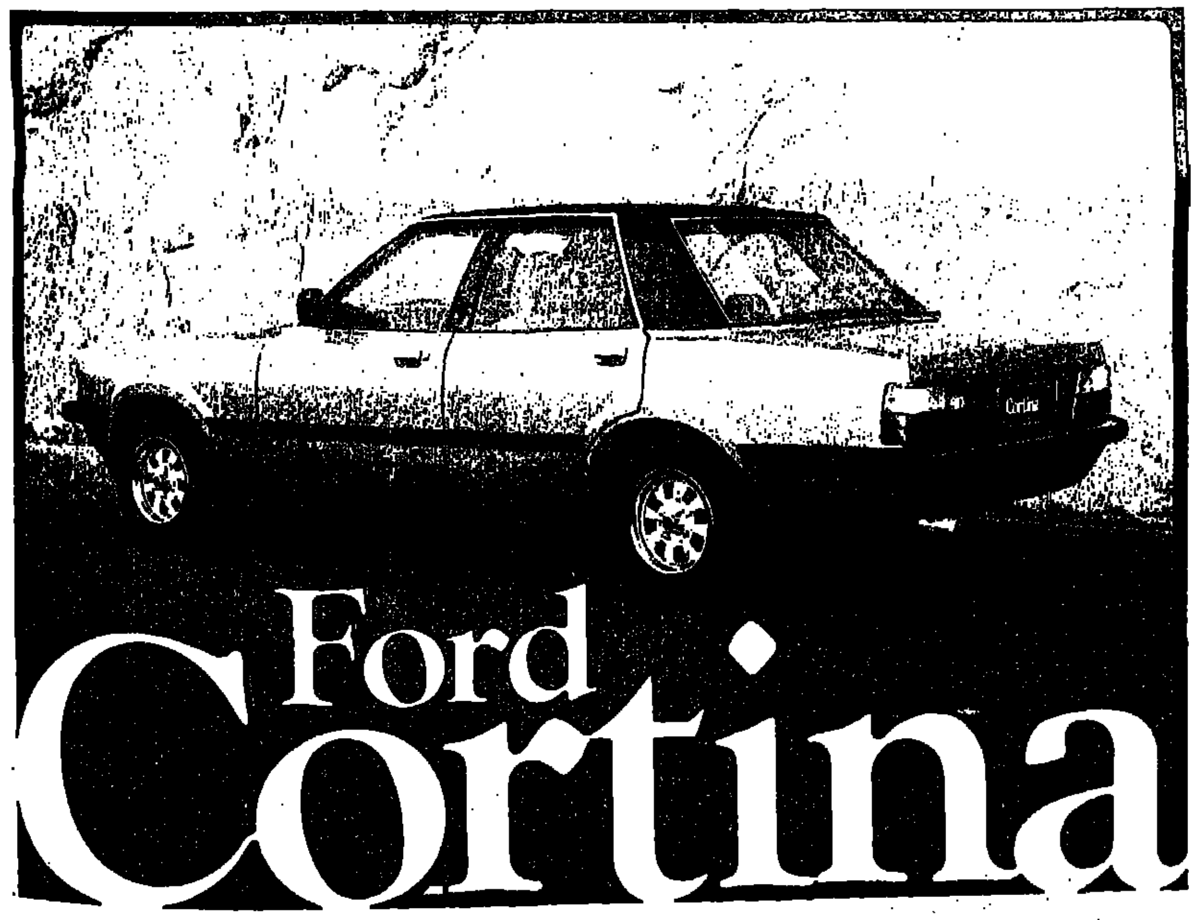

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Skybus experiment tests deregulation theories

by Bob Stott

IF THE Skybus proposal gets off the ground, it will test the deregulation of transport theories.

Those supporting deregulation say that a free and open approach to transport will allow competition to weed out the inefficient, leaving tough competing operators who will have to offer the best possible service at rock-bottom prices to stay in business. Overall, the general public will be the beneficiaries.

The regulators believe that Government control is necessary for the orderly development of transport. Only with regulation will co-ordinated national networks be built up. Only with regulation will resources be used without waste ... and regulation is essential to ensure hard-pressed operators don't reduce standards to save money to stay afloat.

Skybus advertising is offering a third off current air fares for persons buying $150 life memberships and a quarter off current fares for those buying $75 five year memberships. Fares are being quoted for trunk services (Auckland through to Dunedin) and also to Hamilton, Whangarei, Gisborne, New Plymouth and Invercargill.

Air New Zealand is claiming that Skybus will "skim the cream" off the profitable routes, leaving the State airline to continue with the poorly patronised secondary services and with peak services. The profitable services help keep afloat the unprofitable ones enabling the airline to provide a nationwide network at reasonable cost.

As any car-owner knows, certain action can be taken to reduce motoring costs. Retreads can be used instead of new tyres, and recycled oil is as satisfactory as new oil. A good secondhand car will have a lower capital cost and can work well for years. The motorist can do his own maintenance (up to a point) although to be fair he should charge out his time.

But overall, these measures don't add up to a dramatic reduction in the cost of motoring.

Skybus could do the equivalent of these things, but there's no escaping the fact that aircraft, fuel, crew costs, landing fees and so on are expensive and can't be avoided. Skybus may be able to run things more cheaply than a larger organisation hog-tied by tradition and compelled to maintain "social" services to remote areas but planes are still costly things to run.

To get good returns, Skybus will have to ensure that at least some of its services are operated on routes and at times which will allow pretty near full loads. It is such services which Air New Zealand relies on to make good profits which go in part toward cross-subsidising poorly patronised routes.

Hence the fear that Skybus will "skim the cream" off Air New Zealand's business.

It is not quite as simple as that. Because of pronounced peaks on trunk services Air New Zealand has spare capacity on trunk routes outside the mornings and evenings. If Skybus competed for peak trunk traffic, Air New Zealand might then be able to dispose of a Boeing 737, and overall, improve its fleet utilisation. If this happened, the nation would still have no more invested in aircraft, the only difference being that ownerships would be split between two parties.

Skybus, with its low fares, might generate so much new traffic that the State airline's losses might be slight indeed ... although in the present recession this might be too much to hope for.

If Skybus doesn't generate more traffic, and if Air New Zealand doesn't reduce its fleet, we'll have two airlines fighting over the same traffic that's currently carried by one. The two airlines will together represent a larger investment and because that investment must earn a return, fares will have to rise if both are to remain viable ... or so the regulator's theory goes.

Overall then, look at the Skybus as a laboratory experiment, the outcome of which should indicate whether transport regulation is in the broadest sense, in the public interest.

We do not really need internal air services – without them we would be inconvenienced but the economy would hardly suffer. So if we must experiment with de-regulation, it is a better thing by far to do it in the air rather than in an essential field, like land transport of goods.

So let us watch the Skybus operation and its effects closely and learn from this experience and apply the lesson to other and more important transport modes.

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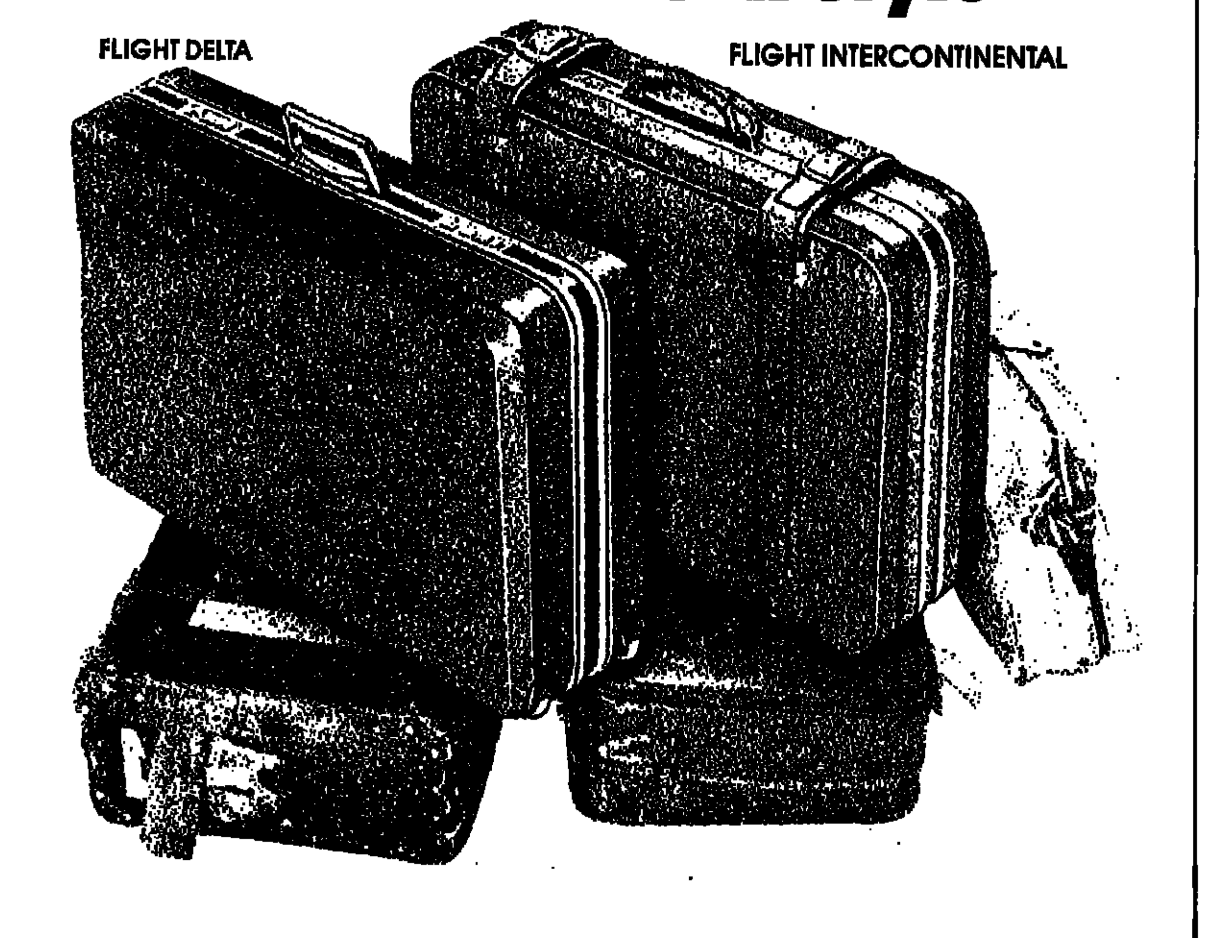

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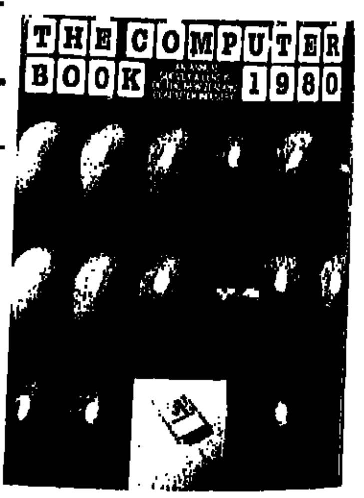

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Skybus threatens Air NZ domestic service survival

by Gordon McLauchlan

IF Skybus gets its two DC8s off the ground and creams traffic off the domestic main trunk routes for more than a few weeks, Air New Zealand's domestic services would probably collapse.

Skybus' Matt Thompson claims his services would take only 14 per cent of their load factor from Air New Zealand trunk services and would generate additional passengers with promised low fares.

Thompson claims he can move into profit with a load factor of only 50 per cent on his two 150-seat DC8s.

But domestic traffic is shrinking so fast that if Thompson has miscalculated, he could go down and take Air New Zealand with him ... unless the Government stepped in to bail the airline out.

Thompson's calculations are based on 1979 traffic figures. These have slumped, over all routes, by about 10 per cent during this year.

According to an Air New Zealand source, domestic route projections, based on forward bookings for this Christmas period, are down 20 per cent on last Christmas.

Air New Zealand has conceded that traffic drops earlier this year were the result of resistance to rapid fare rises.

Since there have been no fare increases after the imponderable 5 per cent tax impost in this year's Budget, some tourism observers suggest that the decline in holiday traffic during the second half of this year is a product of the general economic malaise.

Thompson's claim that his lower fares would generate new traffic was a legitimate expectation in terms of general trends overseas ... until the beginning of 1980.

Whether, within the context of New Zealand's population distribution along the trunk routes, that expansion could be big enough in normal times to meet Thompson's expectation is a moot point.

In the environment of international economic crisis, the toughest air fare war of all time is being fought on major overseas routes ... and yet traffic has declined through the northern summer.

If Thompson can move into the market and survive for more than a few weeks, the consequences will be something like this:

- Air New Zealand will have to dispose of millions of dollars worth of Boeing 737 equipment from its main trunk routes.
- Without a measure of profit from the main routes, the money-losing Friendship provincial routes would have to be abandoned to third-level carriers who would have to spend millions of dollars on 20-seater aircraft in the scramble to catch the existing provincial traffic, or would have to risk buying the Friendships and hope to run them more economically than Air New Zealand with sharply reduced overheads.
- Hundreds of Air New Zealand staff members would be out of work.
- It is highly debatable whether in the medium term, there would be sufficient traffic on New Zealand's trunk routes to sustain two airlines in competition with modern equipment.
- Even if two carriers did emerge, it would be only after a period of serious dislocation of the nation's commercial aviation system.

The Government, and certainly the public in its present frame of mind, may admire Thompson's entrepreneurial flair and wish him well. But the question is whether the country can afford the trauma of his sudden entry on to the national scene.

The Government, if it accepts that airline competition is desirable, may prefer to delicense at a slower pace and allow gradual adjustment to take place at the third level first.

If third-level operators are allowed to compete freely with Air New Zealand on provincial routes, one of them may build up over the years to the position where it can compete on the domestic trunks.

If the change occurs gradually, the economic fight would be less disastrous to the economy nationally.

The New South Wales carrier, East-West, has built up to the point where it is shadowing Ansett and TAA.

It is understood that Mt Cook and other companies have costed out 20 and 25-seater aircraft for the provincial routes.

Thompson tenaciously clings to his projections.

The number of passengers travelling on the Auckland/Wellington, Wellington/Christchurch sectors between 7am and 10am on weekdays, the major peak hour on which profits are taken, averages around 1400.

The traffic on the same routes during the 4pm to 7pm peak averages around 1200.

Air New Zealand has eight 737s (with 121 seats each) on these routes with sectors extending to Dunedin and Palmerston North as well. A DC10 (270 seats) does a daily Auckland/Christchurch and return. The load factor overall on these trunk routes is around 70 per cent, down about 5 per cent from last year.

Many provincial services at the moment are understood to be operating at well below 60 per cent load factor.

As traffic declines and staff doesn't, the losses mount proportionately.

If someone homed in on the only profitable routes, Air New Zealand would be badly bruised, perhaps even mortally wounded.

One expert aviation observer claims that Skybus could make money with fares two-thirds of the present rates, if load factors ran around 70 per cent. This is based on the reputation of the DC8 as a fuel-guzzling aircraft, and on the assumption that the tough Air Line Pilots' Association and other airline unions would insist on award rates for staff – or take industrial action against Skybus.

(The Skybus operation is unlikely to have enough fat to survive a strike.)

But Thompson says his organisation can move into profit with a 50 per cent load factor and that 36 per cent of that traffic will be generated from new travellers or those travelling more frequently on lower fares.

He insists that Air New Zealand is over-capitalised and grossly over-equipped and if competition forced them to sell three or four Boeings, then that would be the size it should level off and compete at.

If non-profitable routes fell to third-level carriers with smaller aircraft then that was a desirable situation which had developed in other countries.

He agrees that if Skybus got its two DC8s into operation it would change the face of this country's aviation in a very short time, but he claims that the licensing system has distorted the transport operations in this country to the degree that only competition can correct those distortions and restore efficiency.

Thompson says that even with two DC8s operating on trunk routes they would be making only one round-trip – Auckland/Wellington/Christchurch and back in the 7am and 10am daily peak. And the two aircraft would take only 350 people out of Auckland on the trunk routes each day, according to his projections.

The secret of the Skybus operation would be the keeping down of costs and specially overheads, says Thompson.

Out-of-town members of his organisation would be able to book flights on trunk routes by dialling on toll-free lines to the computer operator in the main reservations office, quote their membership card number and make the reservation. There would be no agencies and no ticketing offices. Ultimately it would be possible, he says, to operate entirely through a bank card.

The feasibility of the operation and its overall sudden economic effect is going to be the key to the Government's attitude.

But the Government must move soon, either to give Aqua Avia approval or to obstruct it, if the officials believe the society can raise the $1 million it claims to need to lease aircraft.

The endorsement of Guiness Peat Aviation is irrelevant. The company is in the business of leasing out and selling aircraft and so if Skybus gets going, GPA will get some business.

A recent edition of the American magazine, *Airline Executive* said Air Canada had paid $7.7 million for a 29.3 per cent holding in GPA because the airline said "it plans to use GPA in its upcoming aircraft disposal and replacement programme".

The magazine said Air Canada held equal shares with Aer Lingus and the Guiness Peat Group of London with the remaining 12 per cent owned by GPA chief executive Tony Ryan.

GPA is reported by *Airline Executive* to have built up a portfolio of aircraft valued at $100 million, more than half of which it owns, and its profits in the 1980 financial year "exceeded $4 million".

But as passenger traffic declines and airlines take delivery of new aircraft ordered before the present economic crisis, there is a glut on the international aircraft market.

An indication is a full-page advertisement in United States aviation magazines at the moment, inserted on behalf of Pan Am, offering four types of aircraft "for immediate sale or lease".

Equipment ordered before the slump and an excess caused by the merger with National Airlines has prompted the advertisement. Offered are a Boeing 747, 727s and 707s, and Douglas DC10-30s.

So Skybus might work out well for Guiness Peat Aviation. The question is, how will New Zealand fare?

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UN frosty on Chinese back-door Antarctic entry

by Allan Parker

NEW Zealand—Chinese relations have warmed up in recent months after reciprocal visits by scientists involved in Antarctic research. But both countries might get a frostier reception from the international community.

A series of contacts between New Zealand and Chinese scientists culminated recently with the attendance, for the first time, of Chinese scientific observers at an international conference on Antarctic research.

International concern stems from the first visit by two Chinese scientists to the Department of Scientific and Industrial Research's Antarctic division in Christchurch earlier this year. The Chinese, the guests of Australian scientists, also visited New Zealand's Antarctic base and have since developed closer contacts with the New Zealanders.

The two scientists who came to New Zealand were a geologist and a geographer. Their disciplines have raised concern that China is becoming interested in mineral exploration — and possible future exploitation — of the southern continent.

There is a moratorium on mineral exploitation and environmentalists are known to be concerned at any prospect of commercial development of minerals on the Antarctic.

A recent visitor to the United Nations in New York reports growing concern about the Chinese venture and motives behind using New Zealand as a stepping-stone on to Antarctica.

There is a feeling that New Zealand is being used as a "back-door" entry on to the continent.

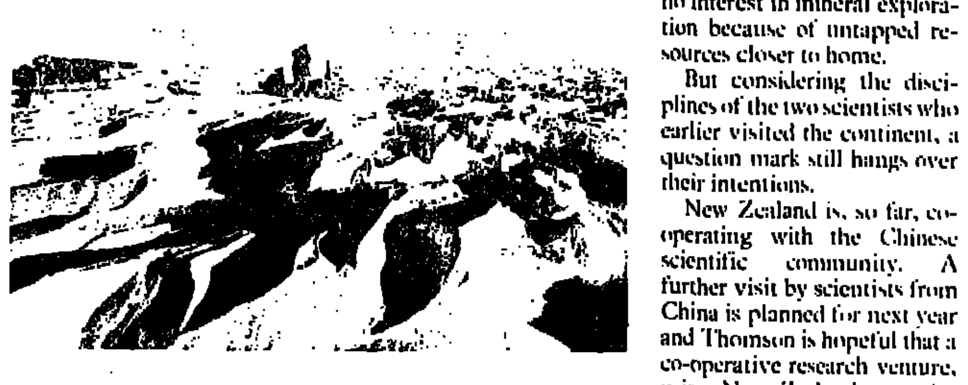
For the Chinese, New Zealand is a logical choice as a jumping-off stage for its Antarctic ambitions. We are friendly to the Chinese, relatively neutral internationally and have an extensive history in Antarctic research.

We are also a signatory to the Antarctic Treaty.

But diplomats at the United Nations have suggested that New Zealand could find itself in danger of breaching that treaty if Chinese interest strengthens.

Despite moratorium on exploitation, countries are still able to carry out scientific research on the continent. Information collected from that research could be used at a later stage by commercial interests if the moratorium is ended and full commercial development allowed.

The head of DSIR's Antarctic Division, Robert Thomson, recently visited China — along with Canterbury University marine biologist Professor George Knox — at the invitation of the Chinese Oceanographic Institute.



They were surprised at the extent of Chinese planning for Antarctic research. "They were much further advanced than we thought," Thomson said.

They were particularly impressed by the speed with which the Chinese have built up a fleet of deep water research vessels equipped with modern Japanese and home-grown equipment.

"They now have a tremendous capability for marine research that puts New Zealand in a poor way by comparison. They have the wherewithal to get involved in the Antarctic almost straight away," Thomson said.

The Chinese told their New Zealand visitors that they have no interest in mineral exploration because of untapped resources closer to home.

But considering the disciplines of the two scientists who earlier visited the continent, a question mark still hangs over their intentions.

New Zealand is, so far, co-operating with the Chinese scientific community. A further visit by scientists from China is planned for next year and Thomson is hopeful that a co-operative research venture, using New Zealand expertise and equipment and Chinese vessels, might be launched in Antarctic waters in the future.

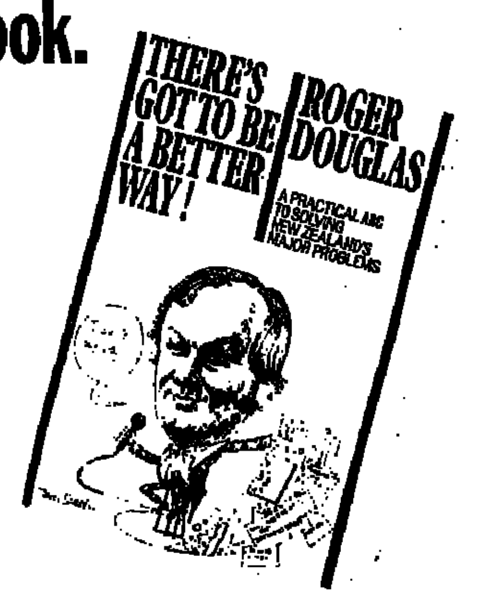
While no formal agreement has been signed, the Foreign Affairs Department confirmed that an "arrangement" exists for New Zealand scientists to co-operate with the Chinese over Antarctic research.

Thomson said the move into the international community by Chinese scientists follows years of isolation and frustration caused by the dramatic internal politic upheaval in that country. "Now they want to get involved in international science again and they see the Antarctic as a place where it has worked well."

The current Chinese interest in the Antarctic could be preparatory to establishing a future base on the continent. Under the terms of the Antarctic Treaty, there is no reason why such a base could not be established if the Chinese accede to the treaty.

Scientists involved in pure research would see no difficulty with that — they view their work through apolitical eyes. But further footholds on the continent by Chinese scientists might get a different reaction from politicians and diplomats.

The independently minded MP has written a provocative, refreshing, important book.



Roger Douglas, unrepentant after the release of his own alternative budget earlier this year, has written a provocative and lively book that offers down-to-earth, non-doctrinaire solutions to some of our most intransigent problems.
Douglas, who is concerned that the politicians are fiddling while New Zealand slides towards economic and social disaster, provides short-snappy and highly readable answers to problem areas ranging from airport spending to union attitudes . . . from the balance of payments to tourism . . . from employment to minority groups.
There's Got To Be A Better Way . . . at good bookshops now . . . or simply fill in the Fourth Estate Subscription Service coupon elsewhere in this issue.
There's Got To Be A Better Way . . . a little book that will launch a great debate about New Zealand's future.

'Electricity export' secrecy begins to dissolve

by Rae Mazengarb

SOME of the secrecy surrounding the large-scale export of "frozen electricity" in the form of aluminium has started to melt.

One of the partners in the country's proposed second aluminium smelter has publicly discussed the electricity pricing regime for the deal for the first time and thrown some light on previously secret commercial aspects of aluminium smelting.

Managing director of Fletcher Holdings Limited, Hugh Fletcher, told over 100 energy experts — representing electricity supply authorities, business, local bodies, Government department, political and environmental groups — that he "would rather be in the power business than in the smelter business".

He made his remarks to the Heretaunga-based Central Institute of Technology's 1980 Spring Seminar, held early this month to discuss the Government's first Energy Plan, released in September.

Discussion largely centred on the pros and cons of selling electricity to large industrial users.

Energy Minister Bill Birch and Fletcher defended the Government's strategy — but for different reasons.

Fletcher claimed: "I carry no candle for private enterprise"; before defending the role of his company in the country's future, from attacks by Victoria University economist Geoff Bertram and Labour MP Roger Douglas.

Douglas concentrated on the wisdom (or otherwise) of capital intensive development for New Zealand. "The present, almost obscene attempts made by major New Zealand companies — aided and abetted by the Government — to tie up forestry and other resources at well below replacement cost must, in my view, be stopped immediately before it is too late. . ."

Bertram criticised policies that resorted "to subsidies, to mis-pricing of resources, to the putting of resources into activities at prices which do not in fact reflect their true cost to the community".

Bertram said he had no doubt the second smelter — if it went ahead — would "go off like a rocket". The same could have been said of many other activities in the past which similarly went off "like rockets" he said.

He said he hoped that in 20 years time a Trade and Industry Department study group would not be doing a "motor vehicle assembly study" on the aluminium industry.

Fletcher also criticised the Government's handling of the energy question.

The 1980 Energy Plan, he said was "disappointing". It was written from the public sector viewpoint which, he said, does not like demand. Demand is what it tries to suppress.

There was no commitment in the Energy Plan to long-term pricing policies; no clear message to encourage small business to get involved, he said.

"We must be efficient users of energy," Fletcher said, "but we shouldn't be afraid to use it".

But it was at question time — after Douglas and Bertram had opened up on the folly of the second smelter — that Fletcher came back into the ring with new arguments which appeared to surprise even the most expert of energy observers.


Hugh Fletcher . . . no candle for private enterprise

Responding to a question on the wisdom of committing resources — such as "cheap" electricity — long term, to a project for which overall benefits to the country were highly suspect, Fletcher answered that the electricity supply contract was a much better game to be in than the aluminium one, and much less risky.

He suggested the cost of supplying electricity to the smelter included a 10 per cent margin for profit.

The consortium would be committed, for 20 years, to take that power; it would be spending $1 billion, he said.

"We're hooked; we have to pay for that power. They (the Government) have absolutely zilch marketing risk . . . The question is how much profit should be made in electricity."

He pointed to Australia where six power stations are being built for smelters. Price escalation clauses, he said, would be half of those for the Southland project.

The Australians were looking for a modest return on their capital investment.

Fletcher said the power offered to the consortium here was not cheap. Brazil, South Africa and Venezuela offered power at much cheaper rates. And escalation clauses there were "nowhere near 100 per cent."

Investors came here because they wanted a certain amount of their product flow from stable places, and they would pay for that stability, he said.

But energy observers have been quick to point to the OPEC experience where a barrel of oil could be produced for mere cents in pre-war terms, but which today attract a premium consistent with the real cost of producing that energy from new developments.

They say that while the Australians in the short term might get an adequate return for their resource exploitation, their Government officials may be drawn into a Comalco-type renegotiation.

Fletcher's belief that Government negotiators would insist on price escalations of up to 100 per cent, suggests a Government reluctance to suffer another Comalco-type round of renegotiations with the new consortium after signing a final agreement.

Thus it seems that this country is further along the track toward energy pricing which is more consistent with world trends than the Australians.

Fletchers' move into aluminium smelting and the willingness of the company's managing director to publicly discuss controversial aspects, has already been heralded by observers as a stark reversal of the secretive approach of multi-nationals who have struck deals in New Zealand, and refused to discuss them on "commercial" grounds.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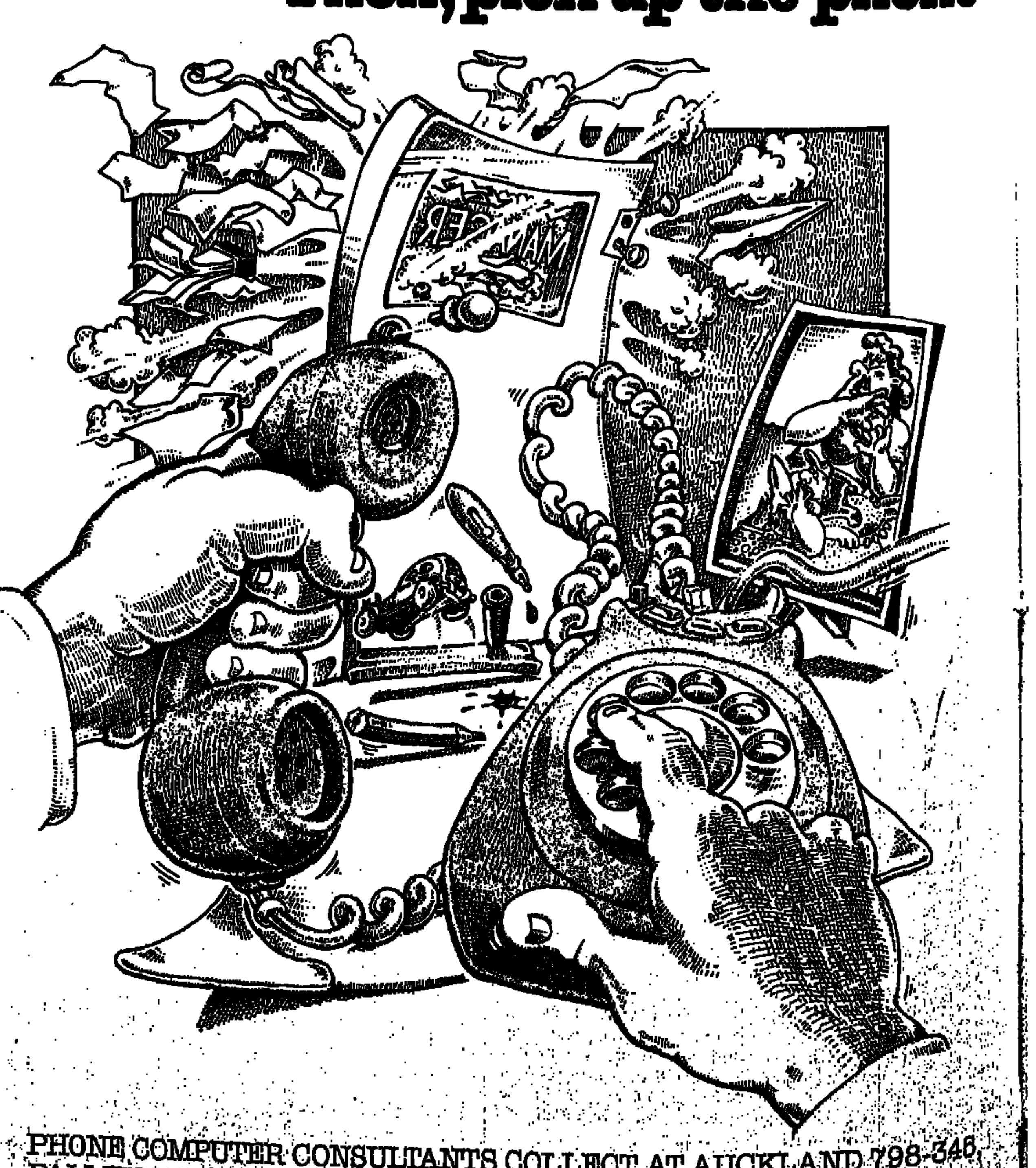

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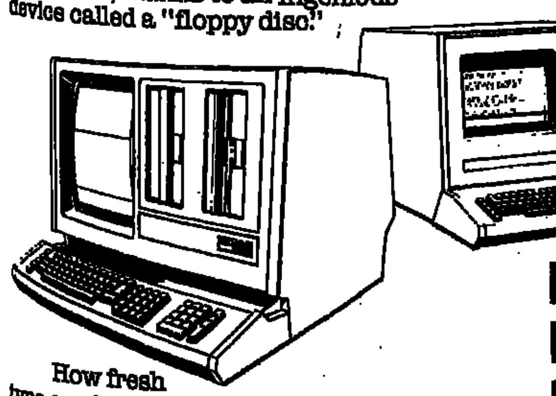

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Energy

Backyard ethanol offers questionable advantages

by **Gordon McLauchlan**

THE economics of a backyard solar ethanol plant — already being promoted in New Zealand and soon to be on the market — are highly questionable according to *NBR* calculations based on information supplied by the manufacturer.

The Lynly Solar SED Pack is designed to distill ethanol from household and garden waste for use as a petrol additive.

According to a test recipe supplied to *NBR* by John Lynch, a principal of Lynly Holdings Ltd, five kilograms of sugar and 166.5 grams of granulated bakers' yeast are required for a unit production of five litres of ethanol.

The cheapest available bulk price for sugar, says the New Zealand Sugar Company, is around $26 for a 35 kilogram bag, and a 170 gram jar of bakers' yeast costs at least $1.20. The cost of these ingredients alone would therefore be 94c for a litre of ethanol.

Petrol costs 54 cents a litre.

This does not include the capital cost of the plant ($1300), and it supposes that there is no cost involved in collecting vegetable waste for fermenting in the solar plant.

And no data is available from the company on any independent tests on the efficiency of the plant which, the company claims, is a breakthrough in energy technology.

Experts in the technology told *NBR* that the plant described was a simple solar still that perhaps could have some economic application on farms where plant material, which would ferment in its own sugars, would be readily available at low cost.

But they were sceptical about the economics of household use and say the quality of the ethanol produced would need to be tested before it could be accepted as an adequate petrol additive. According to Lynly Holdings, the ethanol can be added to petrol at a ratio of one part to five of petrol.

Lynch has already promoted his plant on talk-back radio and newspapers in Auckland as a useful means of turning grass clippings into motor fuel additive.

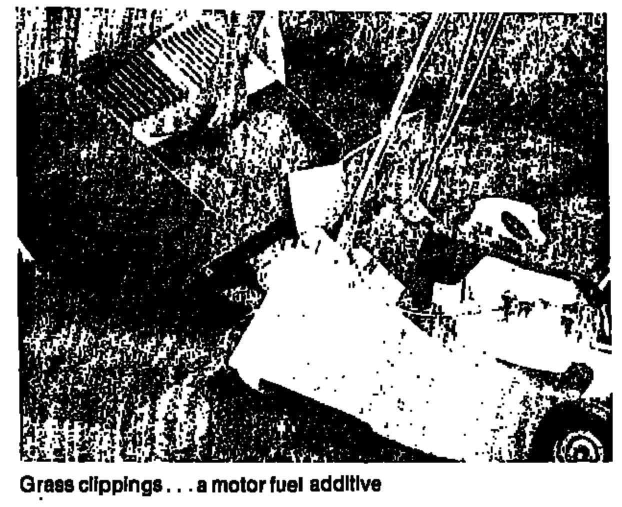
He told *NBR* a "trial run" of 50 of the solar ethanol plants are being manufactured by a contractor to Lynly Holdings specifications, that 47 firm orders have been taken and that "quite a lot of tentative guys have been inquiring".

Interest in the solar plant is intense in Fiji and other Pacific Islands, says Lynch, and there will be a simultaneous launch of the product in New Zealand and the United States later this month.

According to Lynch, he owns 40 per cent of Lynly Holdings. An American insurance broker Lee Black owns 59 per cent, and Black's wife holds 1 per cent.

Lynch explained to *NBR* that the Lynly Solar SED Pack works from a mash prepared from vegetable waste, and each purchaser will be able to buy a book of recipes costing $14.95 which is, however, not available yet.

He said the following ingredients are mentioned in the recipes contained in the book: Cocoa (for the tropics), raisins, fruit (crushed, early ripening types), cornmeal, lettuce, commercial sugar beets, potatoes, artichokes, animal fodders, kumaras, grain and cane sugar.



Grass clippings . . . a motor fuel additive

The detailed recipe which Lynch said was used in tests is:

- 8.25 kilograms of cornmeal.
- 65 litres of water at 30 deg Celcius.
- 5 kilograms of sugar.
- 166.5 grams of granulated bakers' yeast.

Those ingredients are placed in that order in a 67-litre plastic tank with a carbon dioxide release tube at the top. Leave for about eight days until the fermentation is over (when the bubbles have stopped). Then place the plastic tank under the solar panel and couple up two platic tubes, one which enables the liquid to be hand-pumped up to a tank above the panel and the other which allows a return of waste material from the bottom of the panel to the mash tank.

When the heat of the panel in the sun reaches 81.1 degrees, the liquid from the tank is pumped into the tank at the top and it drips down inside the panel and distillation takes place. After condensation, the ethyl alcohol drips into a collector at the bottom of the panel and waste material flows back into the mash tank. The alcohol is put through the distillation process two or three times to ensure purity, says Lynch.

At the end of the process the contents of the mash tank could be quickly sun-dried for use as garden fertiliser or stock food.

Lynch emphasised that the amount of sun in winter might call for more sugar to be used and a longer period of fermentation, and a special enzyme also to help fermentation was being developed in the United States. But in the summer several tanks of mash could be fermenting at the same time and on a fine warm day, 15 to 20 litres of ethanol could be distilled through the solar plant.

The Lynly Holdings publicity material says the Pacific rights to the "special technological breakthrough — a small solar-powered distillation unit" were given to Lee Black by a "prominent, successful inventor", Jim Nagy, "who is a retired farmer living in Oregon" and "is known as the inventor of the Jiffy mop which sold in the millions".

The publicity material says the unit "promises to successfully reduce our dependence on Arab oil and possibly alter the face of many South Pacific countries. Importantly, the product has a massive export potential from its New Zealand base."

A press release says: "Production at the rate of 15 litres a day for 200 days a year gives a conservative output of 3000 litres a year. At current super grade petrol price (at retail of 54c per litre) this can mean a saving of $1620 a year to the SED pack owner.

"If only half of New Zealand's 87,000 farmers used the SED pack this would represent savings of imported fuel in the vicinity of 125 million litres a year."

Nowhere in the publicity material handed to *NBR* was there mention that the addition of additives was likely to cost money. Only when pressed to give a recipe did John Lynch provide us with the cornmeal recipe above which he said was one which had been tested in the solar ethanol equipment.

After the *NBR* calculation had been done on the cost of producing the ethanol, Lynch was asked why anyone would want to produce a litre of ethanol at the cost of 94c to use as an additive for petrol which costs only 54c.

He said *NBR* was presuming we did not have rationing he thought would come next year: "I don't suggest it's a bargain this year but I'll bet you that next year it will be a bargain."

The cornmeal recipe was not one of the cheaper ones. One of the reasons he was going to the United States soon was to get an enzyme which would make it more efficient.

When it was suggested that he had implied on radio and in other newspapers that it was a satisfactory way of disposing of household wastes, or of the wastes from greengrocers' shops, but had neglected to mention anything about additives that cost money, Lynch said: "I've not said it is cheaper.

"It depends on whether you are looking at it as a cost exercise or are looking at it as it is. It's a fuel extender for supply reasons. We only need one or two price rises and it will be economic . . . That is the trouble with New Zealanders, we get too many knockers and negative people," he said.

Lynch said that in the Pacific Islands, the solar plant could make ethanol for as little as 20c a litre using sugar cane waste and other materials that are now thrown away.

Lynch is a principal with his wife in a company called Flagstone Art which he said was "very heavily involved in energy".

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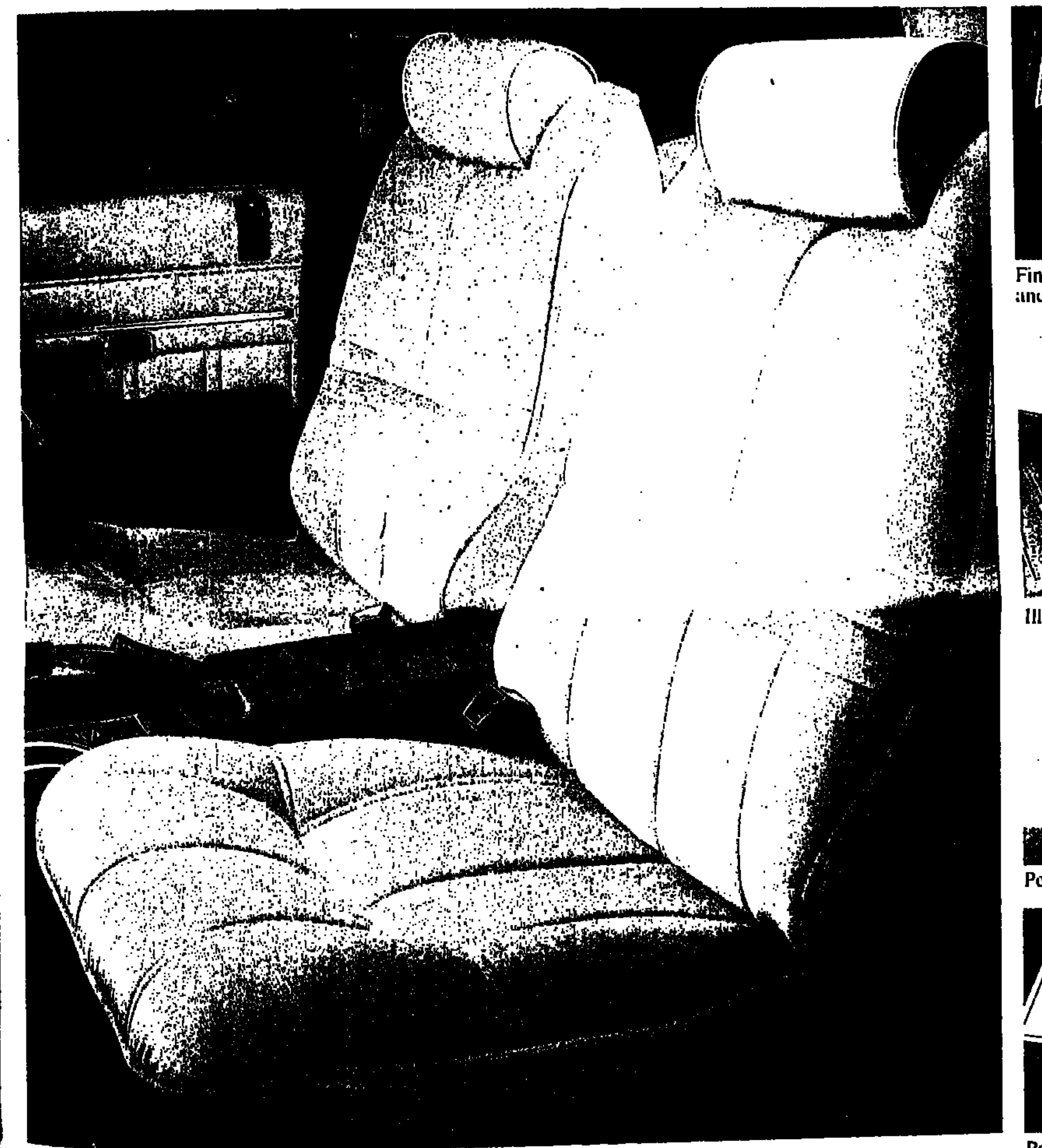
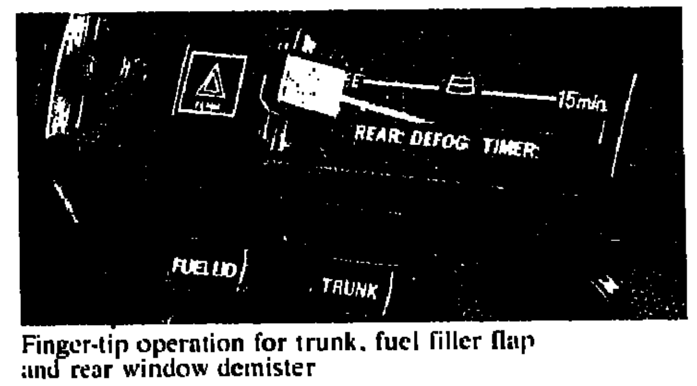
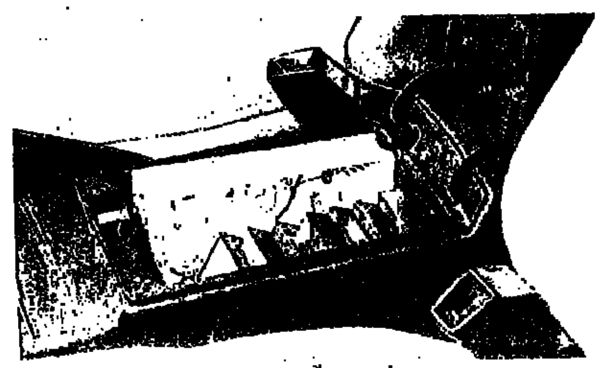


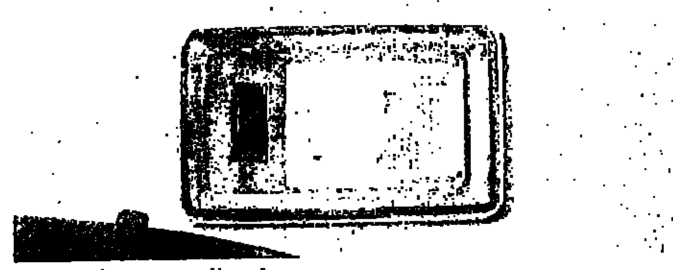
Honey dralon-velour seating



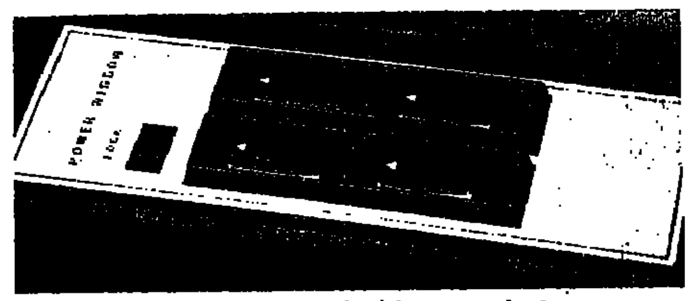
Finger-tip operation for trunk, fuel filler flap and rear window demister



Illuminated centre storage compartment



Personal rear reading lamps



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Secrecy

Silenced scientists seeking public forum

by Rae Mazengarb

FRUSTRATED and angry scientists are calling for the establishment of an independent tribunal to protect dissentient scientists, from vindictive employers.

Draft legislation is being prepared to provide for a body, similar to the Press Council, which could be approached to publicly hear cases on behalf of either scientists or employers (in private industry or Government).

Spear-heading the move, the Association of Scientists is concerned that increasing constraints are being applied to prevent scientists from "going public — even from expressing opinions privately."

The association argues there is a clear need for an official structure to act as the dissentient scientists' watchdog.

Former Chief Ombudsman and Coalition for Open Government sympathiser Sir Guy Powles supports the concept.

Sir Guy Powles . . . supports watchdog concept

The association and several other groups, including COG, are also pushing for a Freedom of Information Act to reduce the secrecy in the public service and attack the root causes of dissentient scientists' conflict with public service employers.

A two-day conference on freedom of information — to be held in Wellington early in December — is aimed at generating greater public awareness of the issues and the nature of the problems caused by secrecy, and at considering solutions.

Sir Guy argues that many of the pressures against New Zealand scientists stem from inbuilt traditions of secrecy. Secrecy has become so ingrained that a "powerful legislative push" is needed to break it down.

Moreover, it places scientists in a dilemma.

As a former Association of Scientists' president explained: "There is conflict of conscience between the scientists' responsibility to the public and the restriction of freedom placed upon him by his employer, not only not to pass on information, but also not to express an opinion."

On the one hand the scientist is bound by a professional ethic to present findings — perhaps challenging those of a colleague, where that is deemed necessary.

On the other hand, scientists are rarely self-employed. In New Zealand, more than 62 per cent are employed by the State, and except those in schools and universities, are bound by the Official Secrets Act and the Public Service Act.

The Government scientist — and, in a more subtle way, the scientist in private enterprise — may have access to information which he believes must become available in the public interest.

Loyalty or legal obligations compel them to remain silent; ethics compel them to speak out.

If they do speak out, the dissentient scientist can be shunted into an area "where he can do no harm", held back from promotion, forced to resign or even sacked.

Scientists are beginning to show their anger.

Association president Wren Green says open, valid scrutiny of information is the essence of science.

The ethics of an operating scientist demand competent research which is open to peer criticism and conclusions which follow only from the work and are not coloured by political considerations, he says.

The conclusions may clash with policy or a previous result, but it is not the scientist's job to adapt work to suit, he pointed out.

At the association's annual meeting, Green touched on examples of scientists being publicly pilloried because they challenged the fallibility of their employers.

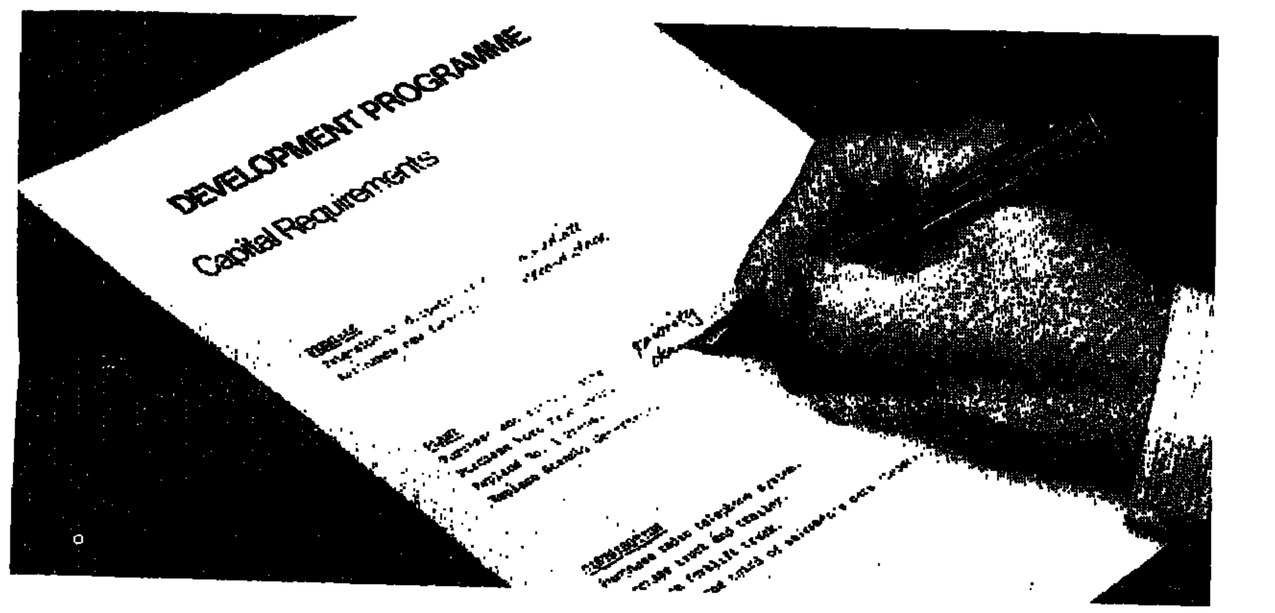
Green argues that secrecy would not be so much of a problem if Governments were infallible.

"Scientists aren't saying 'we know best'," he says.

He accepts that the appropriate decisions should be made in the political arena, but argues they should be made only after full public debate and involvement by all interested groups.

The only way for these groups to get a fair hearing was by ensuring that all relevant information was made available to them, Green says.

Thus the tribunal — clearly needed to protect the scientist — is like the ambulance at the bottom of the cliff. The antidote lies with a Freedom of Information Act.



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Unhealthy responses to immunisation fears

by Rae Mazengarb

PROMOTING the case for an independent tribunal to publicly hear dissentient scientists viewpoints, Association of Scientists president, Wren Green, pointed to a current example.

Speaking at the association's annual general meeting Green referred to the debate over the Health Department's immunisation programme to protect pregnant women against rubella infection.

In 1978, Dr Hamilton — principal medical officer of virology with the National Health Institute — expressed fear that: "...some rubella vaccines . . . could be a hybrid virus carrying part of the genome of another virus, and that this extraneous unwanted fragment could have a significant potential for deleterious effects. . ."

It was too early to say which of the protagonists was correct, Hamilton or the Health Department, Green said.

"What can be assessed at this stage is the initial responses to Dr Hamilton's public expression of concern about a 'potential risk'."

Both the department and the Minister had responded with strong attacks on the doctor's professional competence, "attacks made from their protected position as employers," Green said.

The department began its own inquiries into the evidence behind Hamilton's allegations. It has denied him access to that evidence.

Green said "it would have been more appropriate to set up an open process to evaluate the evidence of risk". Hamilton should be included in that evaluative procedure in the interests of 'balance', along with special interest groups", he said.

"This was not done, and the strategy of rubella immunisation . . . remains unchanged," Green said.

Such a reactionary and vindictive response from the department is hardly surprising. As Green pointed out: "It would have been a radical departure from tradition for them to have set up an open evaluative process to investigate a charge of departmental shortcomings. . .

"We saw the predictable response of a bureaucracy which is obsessed with maintaining a public image of infallibility and which relies to an unhealthy extent on secrecy as its *modus operandi*."

Shutting up scientists for shunning smelters

A RECENT Radio New Zealand report suggested that Otago University economics professor Paul van Moeseke — author of a report critical of the second smelter proposal — found himself forced to shut up rather than further compromise his university council.

In a letter to a university lecturer and students, van Moeseke recently declined to speak on cost benefit details of the second smelter because of "pressure on his council".

van Moeseke has since announced a further evaluation of the smelter proposal. It is understood the document is an academic piece.

Energy specialist Murray Ellis, who stood alongside van Moeseke in the fight over the smelter has been pressured by his employers — the Ministry of Works. Ellis was ordered not to attend the Association of Scientists' annual general meeting a few weeks ago — in his private capacity — because part of the proceedings included a discussion on the implications of the smelter.

Britain

Price-cutting war offers travellers a bonus

by John Bishop

BRITISH transport operators are slashing fares to the delight of travellers.

Latest move in the price war is British Rail's offer of a one pount fare for pensioners to go anywhere on the rail network.

The round of price slashing was sparked by a law which effectively delicences private bus and coach transport, and abolishes price control in the industry.

A consortium of private bus operators immediate announced plans to cut, by up to a half, fares between major urban centres.

The consortium was formed to take on National Bus, the state-owned express coach service.

It started services on October 6 when the Transport Act, which allows unlimited competition on long distance services for the first time in 50 years, came into effect.

British coachways is charging £2 for a one way journey between London and Birmingham, a distance of 177 kms and £7.50 to Glasgow (625 kms).

National Bus responded with even cheaper fares sold on a standby basis across its major routes.

The interesting responses came from the other mode operators. British Rail fares for the same journey suddenly looked uncompetitive. Second class fares for Birmingham and Glasgow were £10.30 and £28 respectively, and were due to rise by 19 per cent late next month.

But under the aggressive chairmanship of Sir Peter Parker, Britrail has come up with a limited offer for day-return and weekender fares which match the coach operators. Britrail also offers a faster service over long distances on its high-speed trains than the coach services.

But at the prices being offered, the airlines also felt the strong wind of competition.

Both major airlines, British Airways and British Caledonian, have slashed their domestic fares by up to 60 per cent on trunk routes to stay competitive with rail and coach.

A London-Glasgow ticket will cost £25 at weekends, with some standby fares it will go cheaper than that, at £20.

None of the transport operators can really afford the round of vicious price-cutting.

British Rail is already hard pressed by falling demand, rising fuel and wage costs, and by the Government's tight limits on cash for nationalised industries.

British Airways is heading for a large loss this year, and has dropped many domestic services and reduced other operations to contain costs.

The private enterprise British Coachways needs to make an impact in the long-distance coach market straight away to encourage travellers into that neglected mode, but the state-owned National Bus finds itself in the same position as British Rail.

Similarly, the privately owned British Caledonian is not really welcoming the new domestic far war. Its hands are full coping with a vigorous programme of expansion on overseas routes, but it has to be in the race to stay competitive.

Like the trans-Atlantic air routes, and particularly the coast-to-coast air route in the United States, no one is expecting to make money from the new fares.

But with supply of seats on all modes exceeding the currently depressed demand, no one can afford to opt out just yet. Whatever happens, in the short term it adds up to an unexpected bonus for the consumer and has been welcomed widely by travellers in Britain.

Secrecy

Professor sees ecological study as source of friction

by Rae Mazengarb

OTAGO University's Professor Alan Mark has identified environmental research "as a potential source of friction between researchers and Government, specially when official policies are the target of widespread criticism".

An official tribunal to receive submissions and adjudicate in cases of conflict or other grievances between scientists and their employers, with freedom to publish its findings would be one avenue out of quandry, says Mark.

He suggested the tribunal could be chaired by the Ombudsman.

In a paper prepared for last year's general symposium, "Social Responsibility in Science", held at the 49th Congress of the Australian and New Zealand Association for the Advancement of Science in Auckland, Mark spoke of the scientists' "serious legal and ethical conflicts involving access to, and possible disclosure of, official information".

He is as one of few scientists in the ecological and environmental field not classed as a public servant and not bound by restrictive official regulations.

"There was a time, even within the last decade, when scientists were criticised . . . for failing to communicate adequately with the public. Nowadays they are more frequently criticised for communicating too freely," he said.

Scientists were deeply concerned with "the uses and misuses of scientific findings", but a large proportion did not carry their convictions further because of the hazards of becoming involved.

Mark referred to constraints applied over recent years on the freedom of scientists working particularly in the environmental areas.

Constraints applied "largely in response to the 'leaking' and other unauthorised disclosure of information by Government scientists attempting to act in a private capacity".

The controversial Forest Services South Island Beech Utilisation Scheme and the nuclear power question were two prominent examples.

These and other sensitive environmental issues were given "special topic" status by the DSIR. Only official spokesmen were permitted to make public statements to present a "balanced view of the scientific aspects of the topic" and to "avoid confusing the public on these complex issues" — a situation considered by many scientists to seriously restrict their freedom.

The upshot was "several contributing authors" from DSIR Head Office reminding their scientists in a departmental newsletter in July 1975 of their "professional ethics".

Mark said it was clear "that some senior members of a key scientific department of Government were interpreting official regulations in a highly restrictive and, I believe, quite unsatisfactory manner".

The statement probably outlined the strict legal and political situation of all Government scientists, Mark said, but it was "quite unacceptable, even sinister. . ."

It referred to the scientist's right — acting in a private capacity — to express opinions on Government policy.

It pointed out that as far as the public was concerned, a scientist is a public servant 24 hours a day, seven days a week.

"The DSIR scientist is not free to offer public criticism on Government policy in areas which are in or close to his/her own areas of expertise. . ."

Mark suggested that there had been changes in the DSIR since the 1975 newsletter but he said the position of the dissenting scientist was still vague and confused.

The current position, within DSIR according to assistant director-general, Dr G W Butler in 1979, was that the need for "freedom of scientific inquiry in environmental matters" was acknowledged.

On the question of public involvement in decision-making, the "crucial question" facing the scientist is "to ensure that the information he/she can contribute is freely available to all who wish to formulate opinions on various environmental issues." He added, ". . . this information should be promulgated in published form to the maximum extent possible".

However, when it came to the advisory role of Government scientists to Government ministers: "An adviser who is tempted to publicise disagreement with the ideas of Government . . . cannot possibly maintain that Government's confidence".

Mark cited his own experiences of the extreme use of secrecy.

Seeking information from a senior scientist from the Ministry of Works and Development on its then unpublished *Sediment Sources Survey of the Shotover River Catchment* for a Royal Society submission on Clutha Valley development, he was informed by the scientist that it was policy not to release information that might prove embarrassing to the Minister.

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QANTAS

"Ripple theory" sends BA man to look us over

by Gordon McLauchlan

BRITISH Airways board member and executive Director of Commercial Operations Gerry Draper — on his first visit here — spent last week looking New Zealand over for tourism potential and sounding Air New Zealand out on the possibility of flying through to London.

That way, he reasons, the two airlines could get together to promote New Zealand holidays throughout Europe in "the same sort of relationship we have with Qantas". He was scheduled to talk this over with Air New Zealand management.

A suave, urbane and informative veteran of 33 years in the airline business, Draper talks about the "ripple theory" — Britons escalate their holidays, starting at Brighton, moving on to the Channel Islands, and successively to Spain and the Eastern Mediterranean, and "then they really move out into the world" into the United States and South-east Asia.

So as the board member responsible for BA development, Draper is looking at this country as a longer-term destination prospect which can be marketed in Europe, hopefully in association with an Air New Zealand flying the whole route to Britain.

He says a lot of publicity is needed over, say, a five-year period to build on the superficial knowledge of New Zealand in Europe and even in Britain.

One of the fastest growing sectors of the tourism business is the activities holiday for those people who don't just want to lie on the beaches, but want to do things and learn things. Draper thinks New Zealand may be just the place for Europeans to enjoy activities holidays.

He agrees that fares are unlikely to go down as fuel prices continue to go up and that the cost of getting here is a problem. But he says he believes that travel will get a bigger and bigger part of the discretionary pound or dollar; and with aircraft size growing (600 passengers in stretched 747s by 1984) fares may be held down in relation to inflation and oil price rises.

Draper's comments touched on such topics as:

• Airline deregulation: "I do think the great problem for the airline industry is to try to get the right balance between competition and regulation. Competition is good but if it's unbridled you get the sort of rat race that's developed in the United States and, to some extent, on the London/Hong Kong route." He says deregulation has resulted in about 15 to 20 per cent excess in capacity in the United States and he believes some of the present airlines there will fail. The Americans are calling 1981 "Shakedown Year". The result of unbridled competition would be that a few very strong operators would dominate the international airline scene the way a few international companies dominate the computer industry.

• Recession: "It's a hiccough" — a two-year hiccough so BA is "planning for very little growth next year". But after that? BA sees its 18 million passengers a year doubling by the end of the century. In the short term, hard times have helped slim down an industry that was generally over-staffed.

• Mergers (seven years after BEA and BCAC merged to become BA): There is an increasing number of them in the industry because individual companies realise that in a recession you can work through it better with bigger resources. Air New Zealand's post-merger problems? It always takes time, he says.

• Lease-back arrangements for aircraft acquisition: Not desirable if it's possible to avoid them. Banks become involved, he says, and as the middle-man they get their cut; this eats into profits in days of high interest rates. But, it is like hire-purchase; if you haven't got the cash, lease-back may be the best way because of the enormously high cost of equipment.

Where to go for Japanese

by Gordon McLauchlan

JAPANESE flying in on Air New Zealand and Japan Airlines scheduled services will know precisely where to go to buy what they want after the end of next month.

Aboard each flight they will receive copies of *Shopping New Zealand*, a Japanese language, four-colour shopping guide to the country's tourist centres. It will be published by two veteran travel men, John Spedding and Norman Baird, both formerly of British Airways.

The editorial and advertising will be sent to Hawaii for translation and type-setting. There are no Japanese language setting facilities in this country. The printing will be done here.

Long-time British Airways public relations man in New Zealand, Spedding says the whole project has been thoroughly researched and the response has been "fantastic".

First print run of the 44-page magazine will be 20,000.

The original intention was to revise and reprint every six months but this frequency may be increased to once every three months.

Shopping New Zealand will be supplied to major tourist agencies in Japan as well as being put aboard JAL and Air New Zealand flights from Tokyo.

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Customer service — or nothing but the goods?

by Rae Mazengarb

COMPETITION in the food retailing sector is hotting up as supermarket operators switch their marketing tactics in response to changing buying patterns.

The moves — more evident in the Auckland region, but working their way south — are aimed at luring a more price-conscious and selective buyer.

Just as the consumer appears to be sticking more to essentials and buying fewer luxury items, the marketing methods employed are directed in most cases, away from the frills to the very basic in store layout and service.

Lower overheads, increased efficiency and reduced margins are the retailers' main weapons in attracting the shopper by lower prices, according to the marketing bulletin, *Goldbergs Trends*.

But price is only one of the many attributes that influence consumers and survival depends on offering a choice of profiles to cater to various consumer wants.

The bulletin notes that this philosophy is reflected in the latest moves of both the Foodstuffs (New World, Four Square, CPS) and IGA organisations.

About a year ago, Foodstuffs — a co-operative group of independent operators within the different store types — started a group of Four Square Discount Group stores. Now numbering more than 50 stores, they have a shelf-price profile similar to the New World supermarkets.

L D Nathan's Associated Wholesalers — which serves Woolworths and the Super Value supermarkets — has also introduced several changes.

Overall, the group has become noticeably more aggressive, Goldbergs say, but the biggest changes have been in Associated Wholesalers' IGA organisation.

This has been split into two parts: IGA Super Discounters (where the word "discount" is the important lure as in the Four Square group); and the "Family Fare" chain. This latter part emphasises the stores' private ownership, individual character, the fact that the owner stands behind the counter, that the store is convenient in location and opening hours and other aspects that point to the "community store" concept.

The moves by both Four Square and IGA are perceived primarily as a defence by the traditional grocer against the big supermarket chains.

The strategy appears to be reasonably successful so far.

Goldbergs' figures show the grocery/dairy share of all retail has increased from 23.8 per cent in August 1979 to 24.7 per cent this August — not a big share increase, but worth about $67 million over a full year.

A noted trend is the growth of chains which offer the shopper low prices, but little or no service.

Shoprite — owned by the Morris brothers who have a stake in the MacDonalds hamburger group — is one such organisation that is feeding on the "no frills" foodbarn idea.

Its shops are small in comparison with most supermarkets, and located mainly in very central areas. Shoprite offers cheap groceries but spartan service.

Customers are given a marker and basket on entry. They price the goods themselves as they take them from the shelves, often still packed in the manufacturers' containers.

Cost savings are achieved by the absense of labour for tasks such as unpacking, individual labelling of goods, and stacking shelves.

The "straight from the truck to the shelf" idea — introduced to several countries overseas — has been working successfully in some Shoprite stores for almost two years.

And Shoprite general manager George Harris said: "There are little or no efforts to dodge the system," though spot checks are made on shoppers' baskets.

Another store chain to break from traditional patterns, is Auckland-based Foodtown, which is now moving south.

Two new supermarkets in Hamilton could provide the base for a move further south to Rotorua, Tauranga and the King Country.

Like other retailers, it is noticeably cutting overheads to reduce prices. Foodtown — while still retaining a skeleton service — has reduced its army of paid trolley-pushing staff.

Clearly there is a growing distinction between the stores which offer the customer service of the Foodtown, New World type, and those such as Shoprite, which offer nothing but the goods.

Both are aiming toward varying customer types, though price is the balancing factor.

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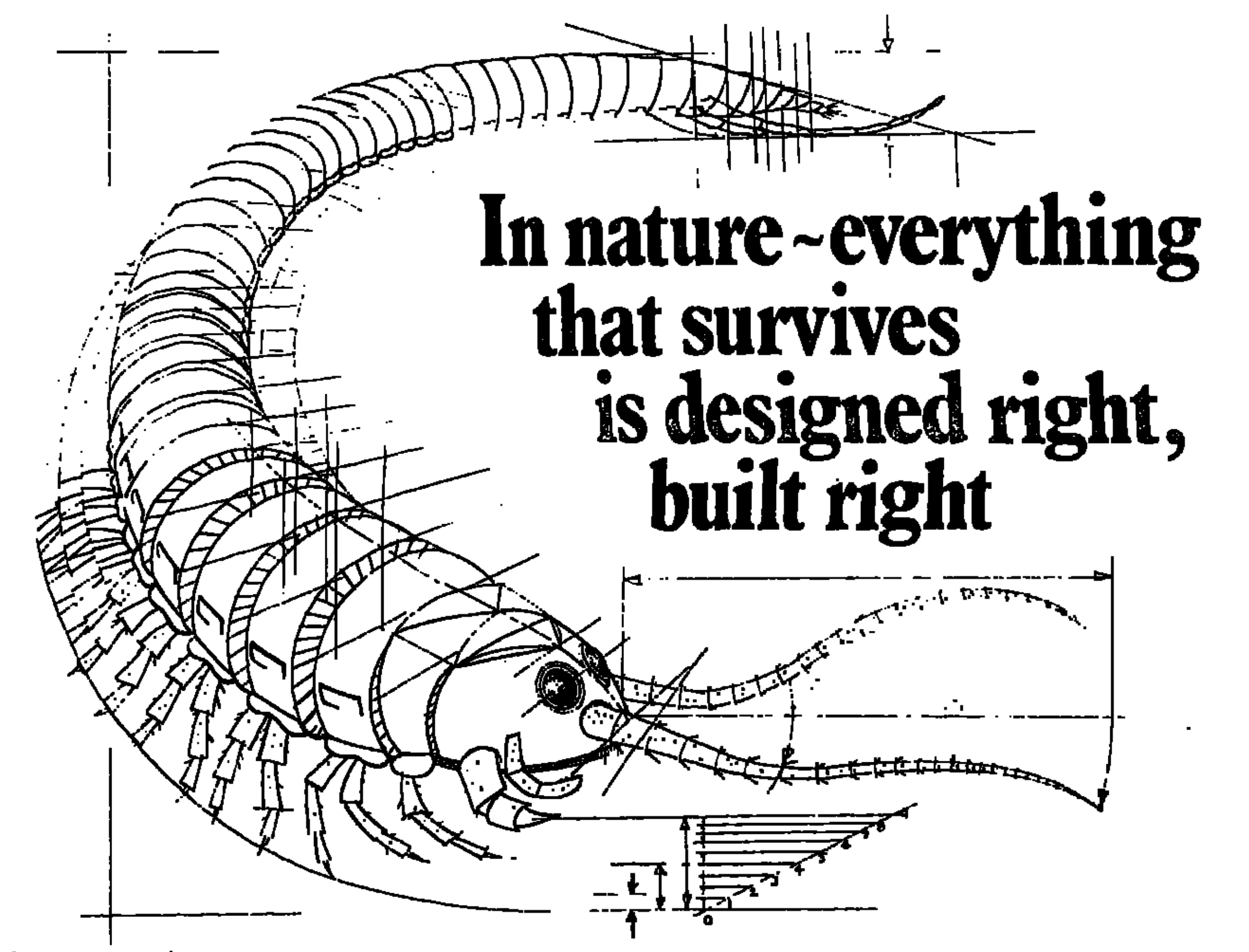

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Leisure

Business booming in hiring holiday wheels

by Lindsey Dawson

PEOPLE taking off on holidays in their "RV's" are a familiar sight on American freeways (RV is local terminology for recreational vehicle or motor caravan).

They are becoming more evident on New Zealand roads, as overseas tourists and Kiwis discover the freedom and comparatively low costs of a vacation on wheels.

While Americans tend to own their own rigs, the vehicles are beyond the means of most New Zealanders. But the hiring business is booming.

Newmans, part of the TNL Group, is the biggest renter in the country. Its hire-out figures have increased 163 per cent this year since the company reduced its off-season rentals to $35 a day, a reduction of 30 per cent on the previous charge.

"The vans used to be fully booked over the peak-holiday period but were often lying idle for the rest of the year," said Newman's Rentals general manager Ian Newman, grandson of one of the Newman brothers who began the family coaching business in Nelson in 1879.

Newmans' interest in motor caravans began several years ago when it bought New Zealand Motor Holidays.

New Zealanders are more used to hooking up a caravan behind their car, and demand for the self-contained motor caravans did not take off until the new low rates were advertised for this year.

The company circularised travel agents and took out three newspaper ads, and the phones started ringing.

The company can't keep up with demand; it has turned down 200 applicants for summer hire at full rates.

It runs 110 four-berth motor caravans, and coming off the production line are five new six-berth models complete with toilet for tourists who like all home comforts.

Ian Newman hopes to see between 15 and 25 new vehicles on the road next year. The larger models cost just under $20,000 each.

Word of mouth is responsible for much of the upsurge in interest, he says. "That, and simply seeing more vans on the road". Sixty-eight per cent of hirers are Australians, followed by New Zealanders (17 per cent), with Americans and West Germans vying for third place at 5 per cent. Other users have come from all over the world with, curiously, a steady stream from Brunei.

Americans are impressed with the facilities provided at motor camps here. Their own camps do not provide much in the way of toilet and shower facilities because American RVs are so equipped that travellers can do everything "on board".

Because showers are available in local camps Newman's have not installed them in their vans. But on-board toilets are preferred by most American tourists.

The vans are otherwise fully equipped, right down to bedding for those arriving from overseas.

The hire charge — covering everything but petrol and food — ranges from an off-peak $35 a day for the four-berth model to $85 for the larger van in the peak holiday period.

This makes it a reasonably-priced holiday for families, which Ian Newman sees as the big growth area in the business.

"The alternative for families coming in from overseas who want a touring holiday is to rent a car and stay in motels," he said.

"A motor caravan works out at from half to two-thirds the cost of doing that, and it allows greater flexibility. Quite a few of our customers would spend three or four nights out of camp sites a week, parked next to lakes or rivers."

Six-berth vans . . . reasonably priced for families

Newmans' bigger vans are built by C F Munro in Otorohanga; the smaller ones are built up from basic Bedford chassis in the company's own workshop.

They have four-cylinder engines and, according to Newman, handle "just like a car".

The built-up bodies are strong, he says, and sometimes they need to be. A German tourist, swatting at a bee, drove one off the road and rolled it down a bank without demolishing the roof or walls.

Most are stick-shift models, but Newmans are moving into automatic transmission. It is easier on the engines, apart from being simpler for Americans who are used to automatic gears.

Newmans is chartering yachts for those who prefer water-borne holidays.

The six-berth yachts are moored at Half Moon Bay in Pakuranga, and charterers have to assure Newmans that they have sufficient sailing experience to be able to handle the 30-footers. There are two Herreshoff-designed H28s available at rates varying from $55 to $90 a day (depending on the season) for a minimum of four days.

The yachts are restricted, by Marine Department rules, to the Hauraki Gulf.

Until now demand for them has centred on the summer months and they are booked right through the Christmas period, but Newman sees no reason why they should not be popular all year.

"This is a marvellous place for sailing, winter or summer," he said.

He believes that the most effective form of advertising overseas is through clubs and specialist organisations with an interest in the sorts of outdoor pursuits that this country has to offer.

An American caravaning association is providing Newmans biggest contract; two groups hiring 25 motor caravans each will trail through New Zealand next February.

Housing

Property restorer sets up production-line process

by Peter Isaac

AUCKLAND property restorer Bill Hurst is exuberant about the state of the building market in his own special sector — and wants to spread the good news.

Hurst, who has restored more than 50 houses in Auckland's Ponsonby and Parnell, will hit the road as a member of information entrepreneur Henry Newrick's one-day seminar on property restoration.

Hurst no longer restores houses. He helps others by supplying the essential hardware and fitments which must be at least half a century old, or look as if they are.

He now has a factory, scooped out of the interior of two restored Ponsonby Houses, where he turns out replica lintels, rustic fencing, doors, windows (with olde stained glass), filigree and everything else you want to put into an old house.

He has a network of buyers scouring the nation for old fitments, often extracted from disused barns, farms, and other derelict properties.

Hurst will join a four-man team which includes Wellington architect Ian Athfield, restauranteur and restorer Neil Harrap and Wellington City Councillor and joinery manufacturer Gavin Wilson.

The theme: Unless you are able to pay into the very high five figures, you will not get the type of solid house built in the heyday of the New Zealand villa.

"The New Zealand villa was a very special development. It compounded styles from around the world into a house that was ideally suited for this part of the world — a blend of England and the South Seas," Hurst asserts.

Public speaking, however, is new territory for gruff-spoken Hurst.

"If it helps people to understand the values of these sturdy, unique, old houses, it's worth it," he says of the travelling one-day seminar which carries a fee, including lunch, of $125.

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DEPARTMENT OF LABOUR

Still Labour cannot outpoll weak National

by Colin James

IF the Labour Party is not yet deeply worried about its electoral support, it should be. The latest Heylen Poll for TV One and *National Business Review* tells a sorry story.

The expected recession of the Social Credit wave occurred. From its high point of 30.8 per cent on October 4, Social Credit support has come back steadily through 27.4 per cent on October 18 to 25.3 per cent on November 1.

But Labour did not benefit. It has stayed put at 32.2 per cent, a mere 1 percentage point above its nadir of 31.2 per cent on October 4.

By contrast, National support picked up. From a low of 37.1 per cent on October 4 it climbed to 40.5 per cent on October 18, the Saturday in the middle of the leadership crisis, to 41.1 per cent on November 1. That is the highest it has been since the year's peak of 41.6 per cent on August 9, before everything went sour in East Coast Bays.

This apparent recovery returns National to the slight upward long-term trend that it had appeared to be enjoying since mid-1979 and which has kept it above Labour in the poll for most of this year.

At the same time, Prime Minister Robert Muldoon's standing as preferred Prime Minister has bounced back. On October 4 it stood at 28.5 per cent; on October 18, when he was fighting for his political life, at 28.0 per cent; by November 4, 10 days after he had routed his challengers, he was back to 32.6 per cent, not far below his best since the 1978 election.

Why? It seems he was (temporarily?) back on side with the party.

Between August and September his preferred Prime Minister rating with "loyal" National supporters — those who say they voted National in 1978 and would do so again — fell from 79.4 to 66.9 per cent.

It stayed low on October 4 — 67.5 per cent. But by November 1 it had climbed back to 72.4 per cent.

Deputy Prime Minister Brian Talboys' rating among loyal Nationalists rose and fell inversely to his leader's rating: up from 6.8 per cent in August to 11.5 per cent in September and 11.9 per cent on October 4 and down again to 8.2 per cent on November 1.

Interestingly, Muldoon's rating among those saying they voted Social Credit in 1978 but were now going elsewhere suddenly jumped — from 16.7 per cent in September and 15.0 per cent in October to 42.9 per cent in November.

At the same time National's take among these floating voters increased.

Perhaps the leadership crisis cleared the air. The closing of ranks of MPs behind Muldoon seems to have been mirrored to some extent in the electorate.

The settling of the leadership issue may account for a sudden resurgence of optimism about the economy.

Since the election, the Heylen Poll respondents have been deeply pessimistic in their expectations as to the state of the economy 12 months on. Those expecting "worse" have consistently been more than half, while those answering "better" consistently below 20 per cent.

But on October 18 the "worse" count dropped to 49.1 per cent and then further to 38.1 per cent on November 1, while "betters" climbed from 13.6 per cent to 26.0 per cent.

At the same time economic concerns declined as "the most urgent problem facing the country" — from 34.2 per cent in September to 30.6 per cent in November (56.0 per cent in July).

Conversely, social concerns rose: unemployment reached a post-election peak of 48.4 per cent and industrial unrest back from a low of 1.7 per cent to 3.3 per cent.

An improvement in the way people feel about the economy should help the Government. This week's mini budget may help keep economic optimism up and assorted tax cuts and other bribes we can expect between now and the election may repeat the 1978 improvement in the electorate's economic outlook.

But, according to the old electoral logic, rising social concerns should boost Labour. Instead, Social Credit seems to have been the beneficiary.

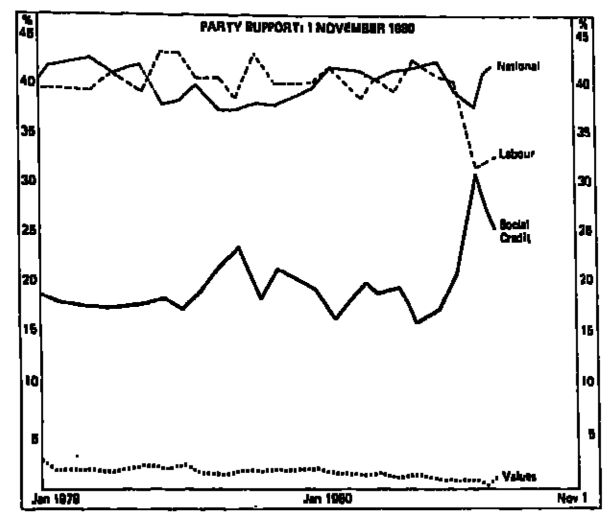
Labour has continued through the past two months' upheavals to be more vulnerable to Social Credit than National (roughly by a 3:2 ratio). The difference was that the size of the slippage grew.

But in October there was a new dimension. At the very time when the National Party was wracked by internal strife and looked more divided than at any time since 1935, Labour managed to lose support to National.

In the August 9 poll, people who said they voted Labour in 1978 made up 1.6 per cent out of the 41.6 per cent National support. On September 6, Labour made up 1.8 per cent of 38.6 per cent, on October 4 2.2 per cent out of 37.1 per cent and on November 1 3.1 per cent out of 41.1 per cent, on the same day National's gain from Social Credit was 1.5 per cent.

In other words, at a time when Labour should by all the rules of electoral logic have been picking up large numbers of disgruntled Nationalists, the traffic in support was the other way.

Labour's pickup from National dropped steadily from 1.7 per cent in August to 1.1 per cent in November.



In short, according to the Heylen Poll, there has been a net transfer of votes from Labour to National in the past two turbulent months.

All this is puzzling National strategists who still see their party as in deep electoral trouble and vulnerable to erosion by Social Credit: it hurt them to find some of their own erstwhile organisation at the centre of Social Credit's East Coast Bays superb campaign; and to find Social Crediters in such true-blue areas as Roseneath in Wellington.

It is puzzling also to me, having for some time seen signs of improving Labour internal strength which logically should sometime be reflected in electoral support, as eventually happened in 1978. Surely the past two months was such a time.

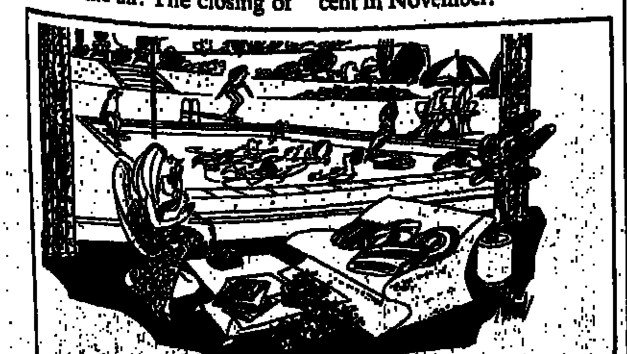
But the slippage to Social Credit in the poll confirms findings of canvassers and survey-takers of all three parties of a serious decline in Labour support in certain areas. A recent example: National has detected a collapse of the Labour vote in the Taranaki and Wanganui countryside on the same scale as that which delivered Rangitikei to Social Credit in 1978.

They are now seriously wondering if Labour is deliberately letting its support fall there to embarrass National. Labour protests that it is not, but it is noticeable that it has been less unfriendly to Social Credit in Parliament of late.

Labour's long-term problem is not to somehow scramble through the next election, but to hold together the coalition that has made it a major party for 50 years.

The evidence suggests that insofar as that coalition exists in the smaller towns and in some suburbs, it has either broken up or is in serious danger of doing so — a phenomenon which could have a corrosive effect in areas where the coalition is still holding.

Beside this, National's problems — deep, divisive and potentially election losing as they are — are of a more transitory nature.



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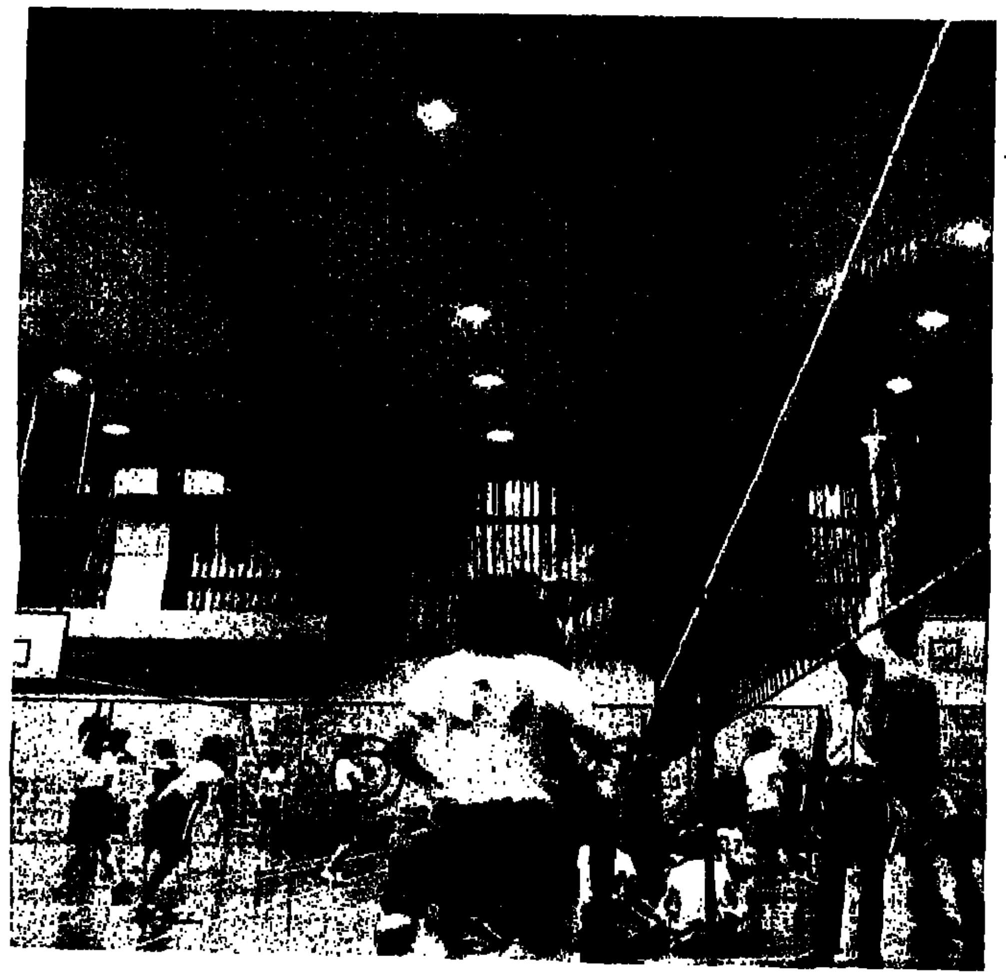

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Government administration

Customs protection triggers security alarms

by **Warren Berryman**

ALARM bells are ringing in the security industry.

Alarm manufacturers and installers can't quote prices, joint brochures, or plan ahead because they don't know what tomorrow's shipment of components will cost.

Some companies are suffering severe cash flow problems. Others claim the Government has instituted unfair competition.

At the root of all the problems are sporadic Customs Department moves to protect a high-priced local industry from imports of infra-red passive burglar alarm detectors – a prime component in modern security systems.

Infra-red detectors work, unheard and unseen, by detecting moving body heat.

Customs slapped a 40 per cent duty on imported infra-red detectors last June to protect Auckland-based Altron Industries Ltd and Philips Electrical Industries of New Zealand Ltd.

Since then, Customs policy has changed several times. Some detectors are now imported duty-free; others are charged duty.

The price competitiveness of imported infra-red detectors appears to be directly related to an importers capacity to wring duty-free concessions from Customs.

Industry sources believe Customs will change its policy again on December 31 to impose the 40 per cent duty on all imported detectors.

But no one in the industry knows for sure what Customs policy is.

When *NBR* last week contacted Murray Bowden, of Custom's tariff determinations section, he ducked behind the Official Secrets Act. "You've asked me to divulge policy. I'm not supposed to divulge policy," he said.

Industry leaders have had no better luck. If Customs has a policy, it is not telling.

The duty was imposed on imports last June to protect Altron Industries at a time when detectors could be bought in the United States for as little as $70 to be sold here for $120. Altron's detector sold for about $140.

Local burglar alarm manufacturers had reservations about Altron's detector.

Imported detectors had passed through the rigorous American Underwriters Laboratory testing and enjoyed an established reputation in the marketplace.

About 19 models were being imported, which gave manufacturers a choice of ranges and scanning widths enabling them to tailor systems to fit particular premises.

Altron had two models. Neither had the long testing in use that the imports had.

Many security companies were unwilling to sell their clients a product of unproven effectiveness. They also resented having to pay 40 to 50 per cent more for a local detector.

Alarm component supplier Herb Fava, of Micron Electronic Systems, says he went to Customs and "got a concession by kicking up a fuss."

Micron previously imported five types of detector from Colorado Electro-Optics of Denver. Customs granted Micron a concession to bring in four of the five detectors duty-free. These sell for from $119 to $129.

One of these detectors is now manufactured in Auckland by Micron. Fava said his company produced it at the American price.

Australia is likely to impose a duty on infra-red detectors.

Colorado Electro-Optics' Australian market for detectors is worth about $0.25 million a year.

If Micron manufactured Colorado's range in Auckland, they could be exported to Australia under Nafta avoiding the Australian duty and earning foreign exchange for New Zealand.

The Trade and Industry Department is understood to be looking favourably at this prospect. But Customs could torpedo the scheme by imposing a duty on imported components.

Informed sources say the two departments are pulling in different directions on the infra-red detector issue.

Fava claims to have heard of another policy change by Customs. "There have been three separate decisions in three months. God knows where we go from here," he said.

The duty-free concession for Micron not only wiped out much of the protection for Altron, but disadvantaged Micron's importing competitors.

Morris Mitchell, of Mitchell Electronics, imports two makes of detectors from California – Solfan and Raytek. Fifty per cent of Mitchell's turnover is in infra-red detectors.

"I went to Customs. My business was in their hands," he said.

Without the same sort of concession, Micron could sell detectors for less than he could land them.

Customs first wanted Mitchell to take his detectors to Auckland's Wakefield standards laboratory to prove they were different from those made by Philips.

The major difference between Mitchell's and Philips' detectors is price. The Solfan detector costs $70 in the United States, the Raytek slightly more.

Protected Philips recently quoted a price of $288.48 for its detector.

Mitchell supplies Chubb (NZ) Ltd, the major user infra-red detectors in this country. Because of the Customs wrangle, Chubb is now considering switching from infra-red to cheaper (but more difficult to install) ultrasonic detectors.

Philips is unlikely to sell its expensive detectors to alarm manufacturers or installers. But if given absolute protection from imports by Customs, Philips could dominate the installation market.

Mitchell said he saw no reason to test his detectors against his competitor's. His imported detectors had passed the American underwriters test.

And Raytek, one of the companies supplying Mitchell, had already expressed concern that Philips detectors might be infringing a Raytek patent.

In the end, Mitchell obtained a Customs concession for duty-free importation of Raytek detectors but no concession for Solfan detectors.

Mitchell said the affair had led to severe cash-flow problems for his company. Since the duty came into effect, he has paid over $12,000 to Customs ($4000 of which is due back on the Raytek detectors).

Solfan directors in California read an *NBR* article (July 21), outlining the 40 per cent duty to protect Altron and Altron's stated aim to sell its detectors overseas, with the help of export subsidies, at prices less than those charged in New Zealand.

Solfan directors have been to see their Congressman, asking for a remedy.

And while Micron and Mitchell won concessions here, a competitor, Teltherm Instruments Ltd is still paying the 40 per cent duty on all its imported detectors.

Teltherm sales manager John Coyle said he had been told by Customs his company had to pay the duty to protect Altron.

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